Aligning corporate entrepreneurship with human resource practices: 
*The case of the banking industry in Cyprus*

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Abstract

Recent years have found well-established firms attempting to capitalise on the benefits of corporate entrepreneurship and the entrepreneurial spirit. In fact, a growing body of evidence suggests that a corporate entrepreneurial orientation is critical for organisational survival and growth in the contemporary business environment.

When applied to existing firms, entrepreneurship takes on unique characteristics, and becomes subject to a number of obstacles and constraints not found in most independent start-ups. The magnitude of these constraints has led many to conclude that unique approaches to organisational design and management are necessary if entrepreneurship is to be facilitated on an ongoing basis.

Of all the managerial decision making areas that can affect corporate entrepreneurship, human resources management (HRM) would seem the most vital. Indeed, the HRM field appears to be experiencing a fundamental transformation from a micro-oriented, bureaucracy-based, tool-driven discipline to one centred around the congruence of the various aspects of the HRM system with business strategies.

This research reviews human resource practices and their impact on corporate entrepreneurship in the banking industry of Cyprus. A case-based methodology is adopted to investigate the research problem and objectives. The starting point of this research was an extensive review of the corporate entrepreneurship and human resource management literature. A case study pilot was conducted to investigate the appropriateness of the questions in the interview guide. The case studies were five well-established Cyprus banks of varying sizes. Data was collected through interviews with the HR managers of each bank and an additional two key managers from each bank.

This research identifies the effectiveness of HRM practices in encouraging corporate entrepreneurship in Cyprus banks, as well as the inhibitors and motivators of corporate entrepreneurship. The research recognised that similar factors, as identified
in the literature, such as organisational structure, rewards, management, training, autonomy, resource availability, act as inhibitors and motivators to corporate entrepreneurship. The only factor that was not in alignment with the literature research was job security, which was identified as an inhibitor to corporate entrepreneurial behaviour rather than a motivator.

This research provides Cypriot banks with a framework to evaluate their organisational efforts for encouraging corporate entrepreneurship. The findings allow these organisations to review the current practices and act as a means to aid in the learning and in enhancing corporate entrepreneurial behaviour.
Acknowledgements

“The one duty we owe history is to rewrite it.” Oscar Wilde, ‘Intentions’ (1891)

Starting a professional doctorate is a very hard decision that can only be made by the person undertaking the task. The ups and downs of everyday life often clash with the academic part of life; many people helped along the way to bring balance and this thesis to its completion and whose support and help has been greatly appreciated.

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“He that will not apply new remedies must expect new evils; for time is the greatest innovator” Francis Bacon, ‘Of Innovations’ (1625)
Statement of Original Authorship

This thesis contains no material which has been accepted for the award of any other degree or diploma, and to the best of my knowledge, contains no material previously published or written by another person, except where reference is made in the text of the thesis.

Signed……………………….
Dated………………………..
Cathrin Lazarou
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CHAPTER 1 – INTRODUCTION

This thesis addresses human resource practices and their impact on corporate entrepreneurship. This chapter provides an introduction to the research. First, the background to the research is discussed. Then, the research problem and research questions are outlined. Next, the justification for the research is explained. Then, the research methodology is summarized and the thesis is outlined, followed by the definitions of the research. Lastly, the research’s delimitations and key assumptions and a brief chapter summary are provided.

1.1 Background to the research

This research investigates how banks in Cyprus can use human resource management (HRM) practices to encourage effective corporate entrepreneurial activity. It focuses on HRM practices and policies that help create an entrepreneurial climate and hence encourage continuous improvement in the organization. Specifically, the research examines the effectiveness of current HRM practices and analyses the difficulties and constraints in implementing HRM policies that promote corporate entrepreneurship in the Cypriot banking industry. Suggestions for improvement are identified and practical guidelines developed for more effective use of HRM practices that promote corporate entrepreneurship.

There has been a growing interest in the use of corporate entrepreneurship as a means for corporations to enhance the innovative abilities of their employees and at the same time increase organizational competitiveness and success through the creation of new ideas, corporate ventures and policies (Pinchot, 1985; Kuratko & Montagno, 1989; Birkinshaw, 2000). One aspect that can enhance corporate entrepreneurship is the human resource component of an organization (Kanter, 1985; Brandt, 1986, Schuler, 1986). While competitors may imitate technologies, economies of scale and other resources, human resource management systems and employee culture are more difficult to copy and from this perspective, human resource strategies and systems are
important sources of competitive advantage (Brandt, 1986; Hussey, 1996; Floyd & Wooldridge, 1999; Twomey & Harris, 2000).

Many employees want to be creative and entrepreneurial and make a difference for the company (Schuler, 1986; Hussey, 1996; Carrier, 1997). It is likely that there is a lot more entrepreneurial talent inside organisations than many chief executive officers (CEOs) currently realise. It is important to find ways to unleash this entrepreneurial potential and hence make effective use of existing resources in the organisation.

Peter Drucker (1984) described the notion that an ideal organisation behaves in such a way that every person thinks like a manager, that is everyone has managerial vision. This is the type of organisational reality that must evolve in advanced organisational forms and entrepreneurial strategies. Ideally managers in the organisation must have entrepreneurial vision and managerial competence. Ideally, everyone should be an entrepreneur, a co-ordinator, a facilitator, and a professional. This is achievable only with heavy investment and reinvestment in human resources (Burgelman, 1983; Kanter, 1983; Herron, 1992; Hitt, 2002).

To have a strategy behind the functions of an organization is always advisable (Oden, 1997; Hornsby et al., 1999). Skunk works and thriving on chaos may yield unexpected and positive product outcomes; however, they are not substitutes for a strategic vision of corporate entrepreneurship (Kanter 1983; Hitt, 2002). The HRM function can help achieve the organisation’s strategy and appropriate HRM practices and policies may help pave the way for an entrepreneurial, adaptable, and flexible organization (Schuler, 1986; Kuratko et al., 1990).

There are HRM practices, policies and guidelines that can help create and encourage an entrepreneurial employee mindset in an organisation and hence encourage continuous improvement in the firm (Kanter, 1985; Sathe, 1988; Hornsby et al., 1992).

The research presents findings about the effectiveness of current HRM practices in the Cypriot banking industry. It investigates the difficulties and constraints as well as the
motivators in implementing HRM policies that help promote corporate entrepreneurship in the industry.

Use of the banking industry as the context for this research adds an interesting dimension, as the Cypriot banking industry is considered more bureaucratic and less flexible than other industries (CBEA, 2003). Major changes and increased competition compel Cypriot banks to become more entrepreneurial (CBEA, 2003, 2004). The analysis will help identify suggestions for improvement and for more effective use of HRM practices and policies as well as enable the development of practical guidelines and policy suggestions useful to the banks. Results from this research about Cypriot banks are likely to be of interest to banks in other European countries that are undergoing major changes and experiencing increased competition.

1.2 Research problem and contributions

The problem addressed in this research is:

*How can HRM practices support and encourage corporate entrepreneurship in the Cyprus banking industry?*

It is argued that HRM practices and policies can focus on supporting and encouraging corporate entrepreneurship in the Cypriot banking industry and that focus can help develop continuous improvement in the organisation. A list of inhibitors and motivators to corporate entrepreneurship and ways to enhance the entrepreneurial mindset in the industry are also proposed.

The major bodies of theory covered are firstly in corporate entrepreneurship. Within corporate entrepreneurship one notes the abundance of material available but also the conflicts that arise from its definition to implementation. Secondly, theory relating to human resource management practices are reviewed and analysed. Furthermore, the research field is narrowed down to the HRM practices that can encourage or inhibit corporate entrepreneurship in an organisation.
The specific research questions developed for this research are:

Q 1. To what extent do banks in Cyprus use HRM practices known to encourage corporate entrepreneurship?
Q 2. How effective are current HRM practices in encouraging corporate entrepreneurship in Cyprus Banks?
Q 3. What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?
Q 4. What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

The research questions are developed and detailed at the end of Chapter Two – Literature review.

1.3 Justification for the research

The current research is justified for two reasons. Firstly, addressing the research problem provides a contribution to the existing knowledge of corporate entrepreneurship and human resource management. The literature contains a multitude of theories on corporate entrepreneurship and on HR management. However, there is little published about the combination of the two: the role of HRM in corporate entrepreneurship (Stevenson & Jarillo, 1990; Covin & Slevin, 1991; Lumpkin & Dess, 1996).

Second, the research identifies the implications for HRM, which managers can apply to encourage corporate entrepreneurship. The increase in competition implies that organizations should become more entrepreneurial and search for different ways of doing business rather than simply relying on existing scenarios to stay competitive (Hitt, 2002). Findings from the research suggest how mature organisations may encourage corporate entrepreneurship in their firms. Specifically, researching human resource practices and corporate entrepreneurship in the Cypriot banking industry gives an insight of how an organisation can become more entrepreneurial and hence
competitive. Additionally, the banking industry is highly regulated and bureaucratic and findings from this research can help other banking institutions that face change.

1.4 Methodology

For the purpose of collecting empirical data about the research problem qualitative methods are used, specifically case study methodologies. It was deemed an appropriate method since it allows the researcher to delve deeply into the problem through in-depth interviews with key people. Specifically, interviews with HRM managers, operation managers and retail banking managers in five banks in Cyprus were carried out.

The research used a cross-sectional design. That is, the data is collected once, providing snapshot information. The unit of analysis (i.e. the primary focus of attention for data collection) is the human resources function, specifically the policies, practices, skills of the HRM department.

The research focuses on the banking sector of Cyprus. There is a strong financial sector on the island incorporating European and US management ideas and practices. The sector has undergone major changes with Cyprus’ entry into the European Union in May 2004.

1.5 Definitions

Definitions adopted by researchers are often not uniform, so key and controversial terms are defined to establish positions taken in the research. A number of terms are used repeatedly in this thesis:

- Corporate entrepreneurship
- Entrepreneurship
- Innovation
- Human Resource Management
- Human Resource Practices
**Corporate entrepreneurship.** Generally in management literature there is confusion about the term corporate entrepreneurship. When management theorists talk about corporate entrepreneurship, they are often talking about different phenomena. Various terms have been used over the years such as corporate venturing, intrapreneurship, entrepreneurial strategy, entrepreneurial management (Stevenson & Jarillo, 1990; Covin & Slevin, 1991; Lumpkin & Dess, 1996; Sharma & Chrisman, 1999). Corporate entrepreneurship is defined “as the sum of a company’s innovation, renewal and venturing efforts” (Zahra, 1993, 1996). Innovation involves creating and introducing products, production processes, and organizational systems. Renewal means revitalizing the company’s operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging the operations to add value for shareholders. Venturing means that the firm will enter new businesses by expanding operations in existing or new markets (Zahra, 1993, 1996).

**Entrepreneurship.** Entrepreneurship encompasses acts of organizational creation, renewal or innovation that occur within or outside an existing organization (Sharma & Chrisman, 1999). The understanding of entrepreneurship owes a lot to the work of economist Joseph Schumpeter and the Austrian School of Economics. In Schumpeter (1950), an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship forces “creative destruction” across markets and industries, simultaneously creating new products and business models others. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. For Frank H. Knight (1967) and Peter Drucker (1970) entrepreneurship is about taking risk. Still another view of entrepreneurship by Professors Howard Stevenson and Jeffry Timmons (1992, 1999), is that, it is the process of discovering, evaluating, and exploiting opportunities, which go on to redefine themselves in the form of new business ventures. In this model an entrepreneur could be defined as "someone who acts with ambition beyond that supportable by the resources currently under his control, in relentless pursuit of opportunity" (Stevenson & Amabile, 1999). Entrepreneurs are individuals or groups of individuals, acting independently or as part of a corporate system, who create new
organizations, or instigate renewal or innovation within an existing organization (Sharma & Chrisman, 1999). A different definition of an entrepreneur is “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them” (Zimmerer & Scarborough, 2005, pg 3).

**Innovation.** Innovation is defined “as the ability to apply creative solutions to problems and opportunities to enhance or to enrich people’s lives” (Zimmerer & Scarborough, 2005, pg 35). Management legend Peter Drucker says, “Innovation is the specific instrument of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service” (1984, pg 60). Innovation may vary in its amount and impact. It is difficult to attempt to specify the precise level of innovation necessary for innovation. In this research the position is taken that for the purpose of defining entrepreneurship it is preferable to treat innovation as an entrepreneurial act rather than as the only act that makes the occurrence of entrepreneurship possible (Sharma & Chrisman, 1999).

**Human Resource Management.** HRM refers to the policies, practices and systems that influence employees’ behaviour, attitudes and performance. Typically, HRM refers to those activities undertaken by an organisation to utilise its human resources effectively (Dowling & Welsh, 2004; Cascio, 1995). HRM provides a valuable service to companies and should act as a strategic partner to all businesses (Noe et al., 2003). The area of HRM is being now considered from the strategic point of view and the definition of Strategic HRM is “all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of the business” (Schuler, 1999, pg 51-52).

**Human Resource Practices.** The field of HRM consists of various practices used to manage people in organisations, and these practices commonly have been grouped into subdisciplines of: recruitment and selection, training and development, performance appraisals and compensation/rewards (Dowling & Welsh, 2004; Schuler & Jackson, 1999; Wright & McMahan, 1992). Employment relations were also
included in the practices (Dowling & Welsh, 2004) but this research is concentrating on the main four practices mentioned above.

1.6 Delimitations and key assumptions

All research has limitations. This research focuses exclusively on the banking industry in Cyprus. Therefore, the findings and conclusions may not be relevant beyond this sector and region.

The research uses qualitative methods, specifically case study methods and in-depth interviews. Methodological limitations are discussed in detail in Chapter Three – Research methodology.

1.7 Outline of the thesis

Chapter Two presents the literature review covering the major relevant disciplines informing the research problem: Corporate Entrepreneurship, Human Resource Management. The chapter also addresses research findings specifically relating to HRM practice and support for corporate entrepreneurship. The literature review chapter will also cover the banking industry in Cyprus. At the end of the chapter the research questions are detailed.

Chapter Three focuses on the methodology of the research and the limitation of the research.

Chapters Four presents the findings and analysis of the research.

Lastly, Chapter Five presents the conclusions drawn from the research and the implications for practice and for future research.
1.8 Chapter Summary

This chapter lays the foundations for the research. It provides a background to the research and introduces the research problem and issues. Four specific research questions were highlighted and the methodology used to address these questions was outlined. The justification and importance of the research was presented; that combining the role of HRM in corporate entrepreneurship would encourage entrepreneurial behaviour in mature, bureaucratic companies as is the case of the banks in Cyprus. Findings from the research suggest how mature organisations may encourage corporate entrepreneurship in their firms. Additionally, the definitions of key terms and delimitations of the research were presented.
CHAPTER 2 – LITERATURE REVIEW

This chapter discusses the relevant theory to support the research. Firstly, the chapter presents the two main theories on corporate entrepreneurship and human resource management. Next, the two theories are combined and examined. Following this, the context of the research is discussed focusing on the banking industry in Cyprus. Lastly, the research problem is presented and the development of the research questions is addressed, concluding with a chapter summary. Figure 2.1 presents the literature framework and provides an overview of the chapter.

Figure 2.1: Overview of Chapter 2
2.1. Origin of entrepreneurship

Entrepreneurial endeavours can be traced back to the beginning of time. Human beings have always been entrepreneurial. The word ‘entrepreneur’ comes from the French word ‘entreprendre’, which means to do something, and it was originally used in the Middle Ages to describe a person who is active and who gets things done (Swedberg, 2000).

An early academic interest in entrepreneurship was expressed by Richard Cantillon (1734) referenced in Stevenson & Jarillo, 1990, who coined the word “entrepreneur” and said that entrepreneurship entails bearing the risk of buying at certain prices and selling at uncertain prices. Cantillon focused upon the economic role of the entrepreneur, rather than the individual who performs such a role. A few decades later, Say (1803) referenced in Stevenson & Jarillo, 1990, included the concept of bringing together the factors of production to the definition. Thus the entrepreneur is the protagonist of economic activity in general (Stevenson & Jarillo, 1990; Schwedberg, 2000). Cantillon and Say regarded entrepreneurs as risk takers. In Cantillon’s view, the entrepreneur is driven by the profit between a known buying price and an uncertain selling price. Say linked entrepreneurs with innovation; he viewed entrepreneurs as change agents (cited in Sadler, 2000).

A century later, the economist Schumpeter (1934) had a more exact view. He considered entrepreneurship as something that disrupts the market equilibrium; it was seen as the process by which the economy as a whole moved forward. The core of entrepreneurship was innovation (Stevenson & Jarillo, 1990). Following Schumpeter’s work, most economists have accepted his identification of entrepreneurship with innovation. This represents a change from the previous tradition, where the term ‘entrepreneur’ basically meant ‘businessman’ (Stevenson & Jarillo, 1990; Schwedberg, 2000).

Another way of interpreting the results of entrepreneurship was not in terms of disrupting the market equilibrium but working towards accomplishing market
equilibrium (Stevenson & Jarillo, 1990). This second tradition, represented by Kirzner (1997), has stressed the informational aspects of the entrepreneurial function; his argument is that the entrepreneur has a superior knowledge of market imperfection, which he uses to his advantage (Stevenson & Jarillo, 1990; Sharma & Chrisman, 1999; Schwedberg, 2000). Since markets would eventually reach equilibrium, microeconomics basically neglected the study of entrepreneurship (Stevenson & Jarillo, 1990). Nevertheless, the importance of entrepreneurial activities for the development of the economy is studied extensively by Schumpeterian followers and continues to be studied today by researchers.

2.1.1 The concept of entrepreneurship

Defining entrepreneurship is an important issue, although difficult and confusing. A definition too narrow may render much useful research inapplicable to important areas (Stevenson & Jarillo, 1990). On the other hand, too broad a definition may make entrepreneurship equivalent to good management, thus effectively dissolving it as a specialized field of study (Stevenson & Jarillo, 1990; Covin & Slevin, 1991; Sharma & Chrisman, 1999, Hitt, 2002).

Entrepreneurship means different things to different people (Stevenson & Jarillo, 1990). Two clusters can be identified relating to the meaning of entrepreneurship (Gartner, 1990). One concentrates on the characteristics of entrepreneurship, such as innovation and uniqueness) while the second cluster focuses on the outcomes of entrepreneurship (Sharma & Chrisman, 1999).

Entrepreneurship is a process by which individuals, either on their own or inside organizations, pursue opportunities without regard to resources they currently control (Stevenson et al., 1990). Opportunity here is defined as ‘a future situation, which is deemed desirable and feasible’. Opportunities may vary among individuals and over time, because individuals have different desires and they perceive themselves with various capabilities (Stevenson & Jarillo, 1990).

Entrepreneurial behaviour would be, following the economists’ tradition started by Schumpeter, the quest for growth through innovation, be this technological or
managerial (Morris & Jones, 1999). Pursuing opportunity, whether through specific company structures or not, constitutes the core of entrepreneurship, both individual and corporate (Stevenson & Jarillo, 1990; Morris & Jones, 1993, 1999). Without an environment that fosters the detection of opportunities, no entrepreneurship will emerge (Morris & Jones, 1993, 1999; Twomey & Harris, 2000). Equally, the motivation to pursue opportunities, and its facilitation, will influence the final outcome. These factors are not strictly independent; rather they reinforce each other: someone who is willing to pursue opportunities will see more of them; someone who is confident in his/her abilities to succeed will be more confident to pursue them; someone who has access to information and resources and support will be more eager to pursue the opportunities and so on (Berger, 1991). This highlights the importance of an ‘entrepreneurial culture’ within the firm (Berger, 1991; Zahra et al., 1999).

Entrepreneurs as individuals have been subjects of study. Researchers wanted to investigate and understand the traits of individuals who demonstrated entrepreneurship. Researchers have also looked at the psychological characteristics of entrepreneurs such as innovativeness, restlessness, aggressiveness, creativity, (Smith & Miner, 1983; Stevenson et al., 1989; Stevenson & Jarillo, 1990). Another aspect of entrepreneurs was introduced in McClelland’s book “The Achieving Society” (1961). McClelland claimed that entrepreneurial behaviour depended on personal motivation, which was also dependent on environmental characteristics (Stevenson & Jarillo, 1990). McClellan concentrated on managers of large organisations and supported the view that the need for achievement was the basic characteristic of an entrepreneur (Sadler, 2000).

2.1.2 The concept of corporate entrepreneurship

There are several levels of analysis in studying entrepreneurship. Some researchers have focused on the corporate level of analysis (Burgelman, 1991; Zahra, 1991); others have focused primarily on the business or strategic business unit level (McMillan, 1987; Zahra, 1993). Still, others have focused on entrepreneurial activities at the functional level of analysis (Morris et al., 1987). One point emerges
from these diverse levels of analysis and that is that entrepreneurship activities occur at and cut across multiple levels within a firm (Zahra, 1983).

The large organisation has to innovate, renew itself or it cannot survive (Drucker, 1984; Stevenson & Jarillo, 1990). For some companies that means reinventing themselves. Increasingly, large companies are growing through alliances and joint ventures, while developing into an entrepreneurial company. Entrepreneurship within a corporation is a way for today’s businesses to become adaptable, flexible and stay competitive.

When theorists talk about corporate entrepreneurship, they are often talking about different phenomena (Covin & Miles, 1999). Corporate venturing is one phenomenon, where an established organisation enters a new business, discussed in Burgelman (1983), Venkatraman et al. (1992) and Block and Macmillan (1993). Secondly, Pinchot (1985) introduced the concept of ‘intrapreneurship’ where an individual or individuals come up with new product ideas within an organisation. Thirdly, entrepreneurial philosophy can fill an entire organisation, discussed using terms like entrepreneurial strategy making (Dess et al., 1997), entrepreneurial posture (Covin, 1991) and entrepreneurial management (Stevenson & Jarillo, 1990).

The focus of this research is the third phenomenon discussed, where companies as a whole act in entrepreneurial manner (Covin & Miles, 1999). The term corporate entrepreneurship is reserved to refer to cases where the entire firm, rather than exclusively individuals or other branches of the firm, act in ways that generally would be described as entrepreneurial (Kuratko et al., 2001; Covin & Miles, 1999).

There are differences of opinion among corporate entrepreneurship researchers regarding the attributes that should be present in order to label a firm entrepreneurial. Although various authors agree on the aspects that are unique in corporate entrepreneurship, they sometimes use different terms or a combination of terms to express the meaning of corporate entrepreneurship. Examining the definitions used in the literature on corporate entrepreneurship one sees that the same term is sometimes used differently by different authors, and some authors use different terms to describe
The same issue (Schollhamer, 1982; Burgelman, 1983; Zahra, 1993; Pinchot, 1985; Sharma & Chrisman, 1999)

One accepted definition of corporate entrepreneurship was proposed by Guth and Ginsberg (1990). They proposed that corporate entrepreneurship could encompass the birth of new businesses within existing organizations, such as, internal innovation, or venturing, the transformation of organisations though renewal of the key ideas on which they are built by strategic renewal (Sharma & Chrisman, 1999; Zahra, 1999). Another definition used by Zahra (1995,1996) states that corporate entrepreneurship is the sum of a company’s innovation, renewal, and venturing efforts.

Both definitions try to encapsulate the essence of corporate entrepreneurship by using words like innovation, renewal, internal venturing and so forth but Zahra’s (1995,1996) definition defines each of these words separately as to how they relate to corporate entrepreneurship thus giving us a more detailed look at what corporate entrepreneurship entails. It is Zahra’s definition that is proposed for this research (Zahra, 1995, pg 227; 1996, pg 1715):

“Corporate entrepreneurship is the sum of a company’s innovation, renewal, and venturing efforts. Innovation involves creating and introducing products, production processes, and organizational systems. Renewal means revitalizing the company’s operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders. Venturing means that the firm will enter new businesses by expanding operation in existing or new markets”.

2.1.3 Types of corporate entrepreneurship

Corporate entrepreneurship involves a departure from existing practices. It is a new way for the corporation to use or expand its resources, and it is thus possible to name six general types of corporate entrepreneurship, which are labelled corporate venturing, dispersed corporate entrepreneurship, sustained regeneration, organisational rejuvenation, strategic renewal and domain redefinition (Oden, 1997; Covin & Miles, 1999; Miles et al., 2000; Meyer & Heppard, 2000). These types can exist simultaneously in organisations. Each has its own characteristics but all aim
towards entrepreneurial activities within an organisation. This transformation of the firm from the old to the new reflects entrepreneurial behaviour.

Corporate venturing (also called focused corporate entrepreneurship) works on the premise that entrepreneurship and management are fundamentally different processes that require different modes of organization to occur effectively (Birkinshaw, 2000). In corporate venturing a new venture division is created whose mandate is to identify and nurture new business opportunities for the corporation (Burgelman, 1983). The new venture division is typically a semi-autonomous entity with little formal structure, integration across traditional functional areas and management support for risk-taking and creativity (Burgelman, 1983; Birkinshaw, 2000). The new venture division is fundamentally broader than that of a Research and Development division, where the set of tasks and responsibilities can be fairly narrowly defined (Birkinshaw, 2000). In Shollhammer’s (1982) terms, the new venture division is a case of “incubative” entrepreneurship while the Research & Development (R&D) division is “administrative” entrepreneurship (Birkinshaw, 2000).

Dispersed corporate entrepreneurship, is another aspect of corporate entrepreneurship, which deals with the aspect of every individual in the company having the ability for both managerial and entrepreneurial behaviour (Birkinshaw, 2000). Dispersed corporate entrepreneurship sees the development of an entrepreneurial culture throughout the firms, rather than hiring or creating separate groups or divisions to be entrepreneurial while the rest are left to pursue the ongoing managerial tasks (Covin & Slevin, 1991; Stopford & Baden-Fuller, 1994; Birkinshaw, 2000). Entrepreneurship is driven by the actions of employees who choose to pursue risky or uncertain ventures for the good of the organization (Birkinshaw, 2000). The challenge for corporate management is to instil in its employees the personal involvement and commitment that drives entrepreneurship (Birkinshaw, 2000; Miles et al., 2000).

Dispersed corporate entrepreneurship assumes the presence of a dual role for employees, consisting of the management of ongoing activities and the identification and pursuit of new opportunities (Birkinshaw, 2000; Miles et al., 2000). The
advantage of this approach over corporate venturing is that a greater diversity of opportunities will be found because the entrepreneurial capabilities are evident throughout the organization rather than restricted to a new venture division (Covin & Miles, 1999; Birkinshaw, 2000). The major disadvantage of this approach is that managerial responsibilities typically “drive out” entrepreneurial responsibilities because they are more clearly defined and have more immediate rewards (Birkinshaw, 2000). It is important, moreover, to recognize that corporate venturing and dispersed approaches are complementary rather than alternative (Covin & Miles, 1999; Birkinshaw, 2000). For example, an opportunity identified in a department may be nurtured and developed in the new venture division; equally, an innovation by the new venture division may inspire further innovation by an operating division (Birkinshaw, 2000; Meyer & Heppard, 2000; Miles et al., 2000).

Firms exhibiting sustained regeneration are the firms that regularly introduce new products and services or enter new markets (Covin & Miles, 1999; Miles et al., 2000). It is the form of corporate entrepreneurship that is most accepted and recognized as firm level entrepreneurial activity (Covin & Miles, 1999). Organizations with sustained regeneration tend to have a culture and structure supportive of innovation. Such firms support change and are not reluctant while introducing new product and services to discontinue existing services and products so as to improve their competitiveness (Covin & Miles, 1999). Finally, companies view their capabilities for sustained regeneration as something to be protected and enhanced through various corporate strategies of development (Covin & Miles, 1999).

Organisational rejuvenation refers to a company that attempts to improve its competitiveness through altering its internal structure and processes (Birkinshaw, 2000; Meyer & Heppard, 2000). It is also sometimes called corporate rejuvenation (Stopford & Baden-Fuller, 1990). However, (Stopford & Baden-Fuller, 1990) has differentiated the two and views corporate rejuvenation as entailing changes to strategies and the organization, whereas organisational rejuvenation refers just to organizational changes. Covin and Miles (1999) stated that it was not necessary for firms to change their strategies to be entrepreneurial rather firms would make an effort to sustain or improve competitiveness by the improved execution of pre existing strategies. Therefore, for the purpose of this research, recognising Covin and Miles...
(1999) interpretation, organisational rejuvenation where firms make an effort to sustain or improve competitiveness will be used.

Strategic renewal refers to a firm redefining its relationship with its markets and competitors by altering how it competes (Covin & Miles, 1999). Strategic renewal can also involve, according to Guth and Ginsberg (1990) the creation of new wealth through new combinations of resources. This includes actions such as refocusing a business completely, making changes in marketing or distribution, redirecting product development, and reshaping operations. In addition, strategic renewal includes making acquisitions resulting in new combinations of resources for businesses within the acquiring firm (Guth & Ginsberg, 1990). Whereas organisational rejuvenation focused on the organisational level, strategic renewal focuses on the firm within its environment (Covin & Miles, 1999).

Finally, domain redefinition refers to a company proactively creating a new market that others have not recognized or exploited (Covin & Miles, 1999). Through domain redefinition organisations create the beginnings of a new industry. Entering a new product and market arena helps energise and reorient a company. These entrants were proactive and characterised by a degree of risk.

In general all the types and forms of corporate entrepreneurship can exist in one company and some form is necessary to increase a firm’s competitive advantage (Covin, 1991; Dess et al., 1997; Covin & Miles, 1999). Activities that are too closely associated with the status quo cannot be a major part of corporate entrepreneurial forms and may not be sufficiently divergent to stimulate the forces of organisational inertia. While existing capabilities provide the basis for a firm’s current competitive position, without renewal, these same capabilities become rigidities constraining the firm’s future ability to compete (Pinchot, 1985; Schuler, 1986; Floyd & Wooldridge, 1999). Burgelman (1991) describes corporate entrepreneurship as a renewal process, changing the organisation in incremental, evolutionary ways. Over time, this avoids the costs and turmoil of total reorientation, bending, but not breaking, the core rigidities.
2.1.4 Corporate entrepreneurs

Corporate entrepreneurs are those employees who take hands-on responsibility for creating innovation of any kind within an organisation (Pinchot, 1985). They tend to be action and goal oriented, willing to do whatever it takes to achieve their objectives. They combine thinking and doing, planning and working, vision and action (Kuratko et al., 1993).

Managers should be prepared to handle a corporate entrepreneur in a different way than they would a traditional manager. Understanding the differences in action, status, decisions and problem solving will help the manager develop policies and procedures that motivate rather than inhibit the entrepreneur, since corporate entrepreneurs can be developed (Sathe, 1988; Kuratko et al., 1993).

A difference between corporate and independent entrepreneurs is that corporate entrepreneurs operate under a corporate accounting system, with reporting relationships to hierarchical superiors whereas independent entrepreneurs stand alone (Maidique & Hays, 1984; Pinchot, 1985; Sathe, 1985; Miles et al., 2000). Corporate entrepreneurs do not personally face financial risks as the independent entrepreneurs, but on the other hand, neither do they receive the same rewards. As a result, their experiences and behaviours differ somewhat from that of the independent entrepreneurs. The differences in perceptions of risk, resource availability, and autonomy might influence the decision-making, relationships, commitment and other behaviours of corporate entrepreneurs (Schuler, 1984, 1986; Herron, 1992). Additionally, individuals who choose the career of corporate entrepreneur over that of an independent entrepreneur will need different competencies for success such as being skilled at corporate politics (Morris & Jones, 1993, 1999). Independent entrepreneurs, on the other hand, tend to find corporate politics reprehensible which motivates them to resist working for anyone but themselves (Maidique & Hays, 1984; Schuler, 1984, 1986; Morris & Jones, 1999; McGrath & McMillan, 2000).

Corporate entrepreneurs are finding new niche opportunities in established industry value networks (Mintzberg & Waters, 1982; Kanter, 1985; Carrier, 1994; Oden,
Spotting opportunities is certainly a function of the individual’s abilities; based on his/her intimate knowledge of the market, the technologies involved and the customer’s needs (Herron, 1992; McGrath & MacMillan, 2000). As a consequence, the kind of jobs and positions a firm designs, as well as the effort it puts into developing generalists who are able to make the connections to detect the opportunity, should have a positive impact on corporate entrepreneurial behaviour (Schuler, 1986; Herron, 1992; Hornsby et al., 1992).

The development of opportunities within established organisations is a unique challenge for corporate entrepreneurs. On the one hand, any opportunity they pursue should take advantage of the organisation’s existing capabilities. On the other hand, any opportunity that will stretch the organisation beyond the boundaries of its core competencies and capabilities may result in poor organisational performance (Shays & de Chambeau, 1984; Pinchot 1985; Kanter, 1985; Schuler, 1986).

Middle layers of the management hierarchy are assumed to be the locus of corporate entrepreneurship (Kanter, 1985; Herron, 1992). This is consistent with research (Kanter 1985; Schuler, 1984, 1986; Hornsby et al., 1992, 1999) showing that middle management is crucial in facilitating the resolution of the capability-rigidity paradox. This does not mean however, that middle managers are unique in assuming corporate entrepreneurial roles (Floyd & Wooldridge, 1999). Corporate entrepreneurs also emerge from executive and operating levels (Pinchot, 1985; Schuler, 1984, 1986; Floyd & Wooldridge, 1999).

There are various issues that enhance the success of corporate entrepreneurs. Firstly, firms should avoid requiring all employees to be entrepreneurial. Employees should be allowed to volunteer for an entrepreneurial project as research has shown that self-confidence, commitment and ownership of the project are essential for its success (Shays & de Chambeau, 1984; Herron, 1992). Secondly, the project belongs to the corporate entrepreneur and a company should avoid delegating the responsibility for the project to other employees (Pinchot, 1985; Herron, 1992). Next, training for corporate entrepreneurs and those who will manage and lead them should be provided
so as to ensure that future projects may be successful (Shays & de Chambeau, 1984; Kanter, 1985; Schuler, 1984, 1986; Herron, 1992).

Another guideline to developing successful entrepreneurs is to avoid being too generous in funding the projects and also to define the ground rules for the future relationship between the organisation and the corporate entrepreneurs (Shays & de Chambeau, 1984; Hornsby et al., 1992). Lastly, management should accept the possible failure of corporate entrepreneurs and should recognize that punishment of failure is likely to act as a deterrent for future entrepreneurial activities within the organisation (Shays & de Chambeau, 1984; Schuler, 1986; Kuratko et al., 1993; Morris & Jones, 1999).

2.1.5 Corporate entrepreneurial environment and strategies

Several elements can be important in establishing a corporate entrepreneurial environment. These include: management support, organisational structure, the presence of explicit goals, a system of feedback and positive reinforcement, an emphasis on individual responsibility, and rewards based on results and risk taking (Kuratko et al., 1990, 1993).

A key to creating an entrepreneurial environment is to develop and articulate a specific strategy for encouraging corporate entrepreneurial activity (Kuratko et al., 1993). Corporate entrepreneurship activities can be affected by combining strategic management with broad empowerment (Kanter, 1983) or through intrapreneurship (Pinchot, 1985). The corporate entrepreneurial organization may be characterized as a dual organization, the management system of the firm and the informal social interaction system among the employees (Kuratko et al., 1993). These two systems interact. The informal interaction system among the employees can produce ideas. However, the management system makes the decisions to ensure that all ideas are inside the strategy framework (Sathe, 1985; Stopford & Baden-Fuller, 1994). The management system should also inspire and induce employees to be innovative (Sathe, 1985; Kuratko et al., 1993).
The entrepreneurial process is not a smooth and rational process (Kanter et al., 1987, Stopford & Baden-Fuller, 1994; Amabile, 1998; Hornsby et al., 1999). The organization and management of the process is in practice often complex and rather chaotic. However, this does not mean that the process cannot be subject to some planning and management (Hamel & Prahalad, 1994; Hamel, 1999). This means that management can increase the odds of a successful corporate entrepreneurial activity by organising and managing the process properly (Sykes & Block, 1989; Hamel & Prahalad, 1994).

The company needs to develop an effective environment to access the resources needed to try new ideas (Hamel, 1999). Managers should be prepared to allow experimentation with new products and services; encourage risk taking and tolerate mistakes. Employees should be concerned with developing new ideas and working within departments rather than with defending their ‘turf’ and the formation of autonomous project work teams within the corporate environment should be made easy (Kanter, 1985, 1987; Schuler, 1986; Stopford & Baden-Fuller, 1994; Hamel, 1999; Hornsby et al., 1999).

It is important to understand that when an entrepreneurial environment is created the original enterprise can often change. Traditions are likely to be set aside in favour of new processes and procedures. That is to say that the traditional management will not be completely set aside but should make room for and work with new ideas, processes and procedures. Some people, uncomfortable with operating in this environment may leave, others will thrive in a system that encourages creativity, ingenuity, risk taking, teamwork, and informal networking, all designed to increase productivity and make the organization more viable (Schuler, 1986; Kanter et al., 1987; Hornsby et al., 1999).

An essential part of establishing and enhancing corporate entrepreneurship would be that everyone understands the strategies that management puts in place (Kuratko et al., 1993). Therefore, clear strategies, ideas and visions should be outlined and made to the employees by top management.
Specific objectives for corporate entrepreneuring strategies and the programmes needed to achieve them should be identified. The steps towards innovation and corporate entrepreneurship include: making sure that current systems, structures and practices do not present insurmountable roadblocks to the flexibility and fast action needed for corporate entrepreneurship; providing the incentives and tools for entrepreneurial projects; and seeking synergies across business areas, so that new opportunities are discovered in new combinations at the same time that business units retain operating autonomy (Kanter, 1985; Kanter et al., 1987; Kuratko & Montagno, 1989; Kuratko et al., 1993; Hamel, 1999; Hornsby et al., 1999).

Specific strategies for effectively managing entrepreneurial thinking and behaviour vary from firm to firm. Nevertheless, most are based on a common set of assumptions, that is, a proactive change of the status quo should occur and a new, flexible approach to the management of operations should be installed (Hamel & Prahalad, 1994; Hamel, 1999). To gain support and foster excitement for new venture development, managers should remove the perceived obstacles and seek alternative management actions (Sykes & Block, 1989).

There is a strong relationship between the notions of innovation and entrepreneurship, regardless of where innovation comes from. Even large firms must be entrepreneurial to be innovative. They will need to be flexible and have a clear vision. This vision should be consistent with being entrepreneurial (Hamel & Prahalad, 1984; Meyer & Heppard, 2000; Hitt, 2002).

The notions of innovation and entrepreneurship are closely related, but there are some important distinctions. Innovation means actually doing something with an idea, like creating a new product (Hitt, 2002). Entrepreneurship is more of a process: it is a way of thinking and doing things that transforms innovation into market opportunities or competitive advantage. Organisations will not be able to profitably create or innovate unless they have an entrepreneurial approach. It is difficult to separate the two ideas of innovation and entrepreneurship, but researchers identify innovation as the result of entrepreneurial behaviour and strategies throughout the organisation (Meyer & Heppard, 2000; Hitt, 2002).
Entrepreneurial strategies include the notion of finding the new, the innovative, and
the adaptive. Entrepreneurial strategies provide an approach to being competitive. As
firms pursue entrepreneurial strategies, they increase the demands for strategy
development and strategic direction at many levels of the organization (Hamel &
Pralahad, 1994). Firms have moved away from the concept that a CEO or a small top
management team goes off on a retreat and returns with strategic direction for the firm
(Meyer & Heppard, 2000). Entrepreneurial strategies become more emergent (Meyer
& Heppard, 2000; Hitt, 2002) and strategic actions can be initiated by top
management or by people throughout the firm (Hamel, 1999). It is difficult for firms
to find the new, the innovative, and the adaptive solely through the efforts of top
management. It requires the entire organization. Strategy set by top management in
an entrepreneurial organisation is often only a broad outline or strategic vision for the
firm (Hitt, 2002).

A strategy for corporate entrepreneurship might be the selection of the organisational
form of a company. This selection at its best puts a system or set of routines in place
that will allow entrepreneurial strategies to emerge anywhere in the organization.
This change is extremely difficult in very large organisations. There is a great deal of
deep structure, and moving the firm to a corporate entrepreneurial organizational form
is very difficult to implement. A smaller, newer firm has a better chance at changing
organisational form (Hamel & Pralahad, 1994; Miles et al., 2000; Meyer & Heppard,
2000).

Entrepreneurial competencies can be developed to support entrepreneurial strategies.
An important notion in developing entrepreneurial competencies is that employees
should be able to find both the market opportunity and the resources necessary to have
corporate entrepreneurship. Resources will not be sitting conveniently together under
an existing organizational label or division (Drucker, 1998). The resources may not
even be in the same industry. The capability to find those resources, wherever they
may be, to recognize them for the value that they have, and to pull them together is a
unique skill that most firms have difficulty in finding (Drucker, 1998; Miles et al,
One of the first steps in developing entrepreneurial competencies and strategies is to include all people in the organisation. Many employees want to be creative and entrepreneurial and make a difference for the company. This suggests that there is likely to be more entrepreneurial talent inside organisations than top management realises (Schuler, 1984, 1986; Brandt; 1986; Herron, 1992; Drucker, 1998; Meyer & Heppard, 2000).

2.1.6 Inhibitors and motivators of corporate entrepreneurship

Conditions within an organisation affect entrepreneurial behaviour. Corporate entrepreneurship researchers examined factors associated with the success or failure of corporate entrepreneurial activity (Sathe, 1989; Kuratko et al., 1990, 1993; Sadler, 2000). Similarly, a number of researchers have explained the process of corporate entrepreneurship from the perspective of obstacles (McMillan et al., 1986; Sykes & Block, 1989; Amabile, 1998). While the literature discusses a variety of corporate entrepreneurial factors, there are elements that are consistent throughout the literature. The literature consistently identifies certain factors as inhibitors and others as motivators for corporate entrepreneurship (Kuratko et al., 1990, 1999). These factors are now discussed:

Inhibitors to corporate entrepreneurship

*Organisational structure.* Traditionally organisations depended on bureaucratic structures to ensure that work was completed efficiently and effectively by removing error and reinforcing conformity and obedience. Bureaucratic structures rely upon centralised decision making, formalised rules and highly specialised tasks. These features of bureaucracy inhibit an organisation’s capacity to foster entrepreneurship (Burgelman, 1983; Sathe, 1985; Schuler, 1986; Covin & Slevin, 1990; Sadler, 2000). There are different degrees of bureaucratisation, and the higher the degree, the greater the potential of conflict with entrepreneurial activities within a company (Morris & Jones, 1999).
Management. Lack of top management support is an inhibitor to corporate entrepreneurship. If there is no management support then it will be difficult to create an entrepreneurial climate within the firm (Kanter, 1985; McMillan et al., 1986; Kuratko & Montagno, 1989). Additionally, managers avoid moves that risk the base business thus missing opportunities and protect the base business at all costs, abandoning entrepreneurial ventures when the base business is threatened (Block & Sykes, 1989; Kuratko et al., 1989; Amabile, 1998).

Resource Availability. Lack of resources, including time availability, have been identified as elements that can constrain corporate entrepreneurship. A lack of funds to experiment and a lack of extra time beyond the daily job duties have been found to discourage corporate entrepreneurs to act within an organisation (Sathe, 1985; Kanter, 1985; Hisrich & Peters, 1986; Kuratko & Montagno, 1989; Amabile, 1998).

Rewards. Organisations that tend to penalise employees if projects fail, or do not tolerate failure, are not conducive to an entrepreneurial environment (Sathe, 1985; Kanter, 1985; Sadler, 2000). Additionally, a uniform compensation system is identified as an inhibitor to corporate entrepreneurship (Kanter, 1985; Kuratko & Montagno, 1989; Amabile, 1998). Rewarding employees the same way no matter how entrepreneurial they are ultimately results in constraining them in attempting to pursue more entrepreneurial activities (Sathe, 1985; Kanter, 1985; Sykes & Block, 1989; Kuratko et al., 1989, 1990, 1993; Sadler, 2000).

Motivators to corporate entrepreneurship

Vision. The organisational vision of a company should indicate its entrepreneurial intent (Schuler, 1986; Kuratko et al., 2001). The responsibility for forming a vision rests with top-level executives. A meaningful vision is sensible in the employees’ eyes, is easily understood, suggests a higher calling and creates a culture that binds people together in ways that help them share knowledge.

Autonomy. Organisations should allow employees to make decisions about their work process and avoid criticising employees for making mistakes when being entrepreneurial. Employees should have discretion to the extent that they are able to
make decisions about performing their own work in the way that they believe is most effective. Autonomy is a motivating factor and it increases the desire of employees to contribute (Kuratko et al., 1989, 1993).

**Compensation/Rewards.** Compensation and reinforcement enhance the motivation of individuals to engage in entrepreneurial behaviour (Hornsby et al., 1992; Morris & Jones, 1993). Literature illustrates that appropriate use of rewards can foster corporate entrepreneurship (Schuler, 1986; Jones & Morris, 1995; Amabile, 1998; Chew & Chong, 1999). Any reward system should consider goals, feedback, emphasize individual responsibility and be based on results (Schuler, 1986; Jones & Morris, 1995; Hornsby et al., 1999).

**Resource Availability.** The two main resources that can affect corporate entrepreneurship are time and money (Amabile, 1998). The fostering of new and innovative ideas requires that individuals have time to incubate these ideas. Organisations should moderate the workload of employees, avoid putting time constraints on all aspects of a person’s job and allow people to work with others on long term problem solving (Hornsby et al, 1993). The firm’s financial resources should also be made available to employees. Managers need to allot these resources carefully. Like matching people with the right assignments, the decision about how much time and money to give to an individual, a team or a project can either be an inhibitor to corporate entrepreneurship whereas the right amount of time and money can act as a motivator to corporate entrepreneurship (Kanter et al., 1987; Hamel, 1998).

**Training.** Entrepreneurship can be taught to employees throughout the organisation. Awareness of corporate entrepreneurship, the right training on how to spot opportunities and what corporate entrepreneurship encompasses will give employees the tools to be more entrepreneurial, as well as, training being a motivational tool (Kanter, 1985; Schuler, 1986; Kuratko et al., 1989; Amabile, 1998).
2.2 Human Resource Management

This section deals with the origin of HRM and discusses the five HRM functions of planning, recruitment and selection, training and development, performance appraisals and compensation and rewards. It also identifies the human investment approach and corporate entrepreneurship. Finally, it discusses HRM and corporate entrepreneurship and the HRM practices that support corporate entrepreneurship.

2.2.1 The origin of HRM

Interest and concern with the utilisation and organisation of human resources has been evident since antiquity. The topic appears in the philosophic, religious and military writing of both ancient and medieval times, and certain aspects of current practice can be traced back to origins in Europe during the 1400s (Miner, 1969). Yet the history as a distinct managerial specialty does not extend back nearly that far. Its development had to wait the growth of the business unit and the consequent emergence of at least some degree of managerial specialisation (Miner, 1969; Noe et al., 2003).

Modern human resource management has emerged from various interrelated sources. Firstly, from the rapid technological change that increased the specialisation of labour associated with the industrial revolution. Then, there was the emergence of free collective bargaining, with constraints established for both unions and employers (Cascio, 1995; Noe et al., 2003). A small group of managers who were concerned with developing techniques for the maximisation of productivity through the effective use of human resources emerged. They were the industrial engineers, among whom Frederick W. Taylor is perhaps best known (Noe et al., 2003; Robbins & Judge, 2005). Although Taylor and the other industrial engineers of the time had little interest in the formation of personnel departments as such, they did make a major contribution to that end through their insistence that management must pay attention to such matters as the selection of employees, proper training methods, and to the development of appropriate compensation methods. This was in relation to a predominant concern with how machinery might be used more effectively (Miner, 1969; Cascio, 1995).
The Scientific Management movement became an important force in American industry during the latter part of the 19th century and the early 20th century (Miner, 1969; Noe et al., 2003). It constituted a real attempt, originating from within management itself, to achieve a means of utilising human resources that would be optimal from both the company and the individual viewpoints (Miner, 1969; Cascio, 1995; Mondy & Noe, 1990; Storey, 2001).

With the scientific management movement there was also the early rise of industrial psychology, which dealt with human resources. Additionally, there were the governmental personnel practices growing out of the establishment of various commissions (Cascio, 1995; Robbins & Judge, 2005). Through this, there was the emergence of personnel specialists and the grouping of these specialists into personnel departments. Lastly, the human relations movement emerged with behavioural sciences and the social legislation of the 1960s and 1970s (Cascio, 1995; Noe et al., 2003).

Until the 1970s, most organisations referred to the department that handled employee hiring, firing and tracking as “Personnel” (Noe et al., 2003). The Personnel department focused on record-keeping and reporting procedures relating to personnel transactions. These procedures could report on the present, and, to some degree, on the past but they did not aid significantly in developing strategic or tactical plans (Cascio, 1995; Ceriello, 1991).

Human resource management is based on the findings of industrial psychology and uses techniques and procedures known collectively as personnel management (Cascio, 1995; Ceriello, 1991). Personnel management may be defined as that part of human resource management which is concerned with staffing, determining and satisfying the needs of people at work and the practical rules and procedures that govern relationships between employees and the organisation (Graham & Bennet, 1992).

The ideas of personnel management moved on to become a part of what is now known as human resource management. Human resource management concerns the human side of the management of enterprises and employees’ relations with their
firms. Its purpose is to ensure that the employees of a company, that is, its human resources, are used in such a way that the employer obtains the greatest possible benefit from their abilities and the employees obtain both material and psychological rewards from their work (Cascio, 1995; Noe et al., 2003; Robbins & Judge, 2005). The term embraces traditional subject areas such as industrial relations, personnel management, industrial sociology and psychology and organisational behaviour. It involves a synthesis of elements from international business, organisational behaviour, industrial relations and subject areas mentioned above.

2.2.2 The concept of HRM

The focus of human resource management (HRM) is on managing people within the employer-employee relationship. Specifically, it involves the productive use of people in achieving the organisation’s strategic business objectives and the satisfaction of individual employee needs. HRM seeks to strategically integrate the interests of an organisation and its employees; it is more than a set of activities relating to the coordination of an organisation’s human resources (Noe et al., 2003; Schuler & Jackson, 2003). HRM can be a major contributor to the success of an enterprise because it is in a key position to affect customers, business results and ultimately shareholder value (Stone, 1998). Likewise, ineffective HRM can be a major barrier to employee satisfaction and organisational success. HRM is thus either a part of the problem or part of the solution in gaining the productive contribution of people (Balkin et al., 1997; Stone, 1998).

There are four main features associated with HRM (Stone, 1998):

1. It stresses the integration of personnel policies both with one and with business planning more generally. This suggests that HRM is not only a strategic activity in itself, but one which is now central to the achievement of business objectives, this means that the human resource is recognised and utilised as a valuable organisational asset.

2. The locus of responsibility for HRM is not relegated only to specialist managers but is assumed by senior management as well.
(3) The focus is not on management-trade union relations but shifts to management-employee relations, from collectivism to individualism. This indicates a general move away from just industrial relations towards employee relations.

(4) There is a stress on commitment and the exercise of initiative. Managers take on the role of enabler, empowerer and facilitator. This point suggests that the creation and management of organisational culture are as important as the organisation’s work itself, with individuals offered the opportunity to realise their potential ably assisted by management.

Similar features emerge from the Harvard model (Beer et al., 1984), which is an influential approach to HRM in academic and business circles (Poole, 1990; Blyton & Turnbull, 1992). Human resource management is viewed as strategic. It involves all managerial personnel and regards people as the most important single asset of the organisation. It is proactive in its relationship with people and it seeks to enhance company performance, employee needs and the well being of society (Poole, 1990).

The Harvard model of HRM is recognised as drawing its academic lineage from the human relations school, with a consequent emphasis on communication, teamwork and the utilisation of individual talents. In contrast to the Harvard model, the more strategic approach of the Michigan school (Fombrum et al., 1984) entailed the interconnection of business strategies, organisational structures and key HRM systems (selection, appraisal, rewards and development). The systems were best designed to support the implementation of corporate strategy. The critical management task was to align formal structure and HRM systems so that they drive the strategic objective of the organisation (Fombrum et al, 1984; Mabey et al., 1998).

Likewise, in Britain a contrast has been drawn between ‘soft and ‘hard’ versions of HRM (Guest, 1989; Storey, 1989; Blyton & Turnbull, 1992). The ‘soft’ version is seen as a method of releasing untapped reserves of human resourcefulness by increasing employee commitment, participation and involvement. The central thrust of the ‘hard’ version of HRM, on the other hand, is the method of maximising
economic return from the labour resource by integrating HRM into business strategy (Keenoy, 1990; Blyton & Turnbull, 1992).

Managers face major challenges, which can be divided into three categories (Balking et al., 1997). Environmental challenges, which are rapid, change, workforce diversity, globalisation, the rise of the internet, evolving work and family roles, the rise of the service sector and skill shortages. Organisational challenges, which involve choosing a competitive position, decentralisation, self-managed work teams, advances in technology, organisational restructuring and organisational culture. Lastly, there are the individual challenges, which include matching people with the organisation, treating employees ethically and engaging in socially responsible behaviour, increasing individual productivity and empowerment of employees.

2.2.3 HRM activities

HRM is concerned with five general activities, planning, recruitment and selection, training and development, performance appraisal and lastly, compensation (Noe et al., 2003; Schuler & Jackson, 1999). These activities are briefly analysed in the following sub-sections.

2.2.3.1 Planning/Job design

HRM planning is an important part of an organisation’s system. This is because an HRM plan affects all HRM activities and acts as the strategic link between organisational and HRM objectives. An effective planning process is essential in optimising the organisation’s human resources. As organisations become more technically complex and capital intensive, the greater is their dependence upon having the right kinds of human resources. One measure of the effectiveness of HRM planning is whether the right human resources of the organisation have been in place and properly deployed to do what is necessary to implement the corporate strategy (Stone, 1998).

Correctly done, HRM planning provides many direct and indirect benefits for a company (Balkin et al., 1997). These include: the encouragement of proactive rather
than reactive behaviour; explicit communication of company goals; stimulation of critical thinking and ongoing examination of assumptions; identification of gaps between the company’s current situation and future vision; the identification of HRM constraints and opportunities; and the creation of common bonds within the organisation.

In the function of HRM planning lies also the designing of jobs and conducting job analysis. Job design is the process of organising work into the tasks required to perform a specific job (Noe et al., 2003). Different approaches to job design are work simplification, job enlargement, job enrichment and team based job designs.

Job analysis is the systematic process of gathering and organising information concerning the tasks, duties and responsibilities of jobs (Noe et al, 2003). It is a basic building block of many of the HRM activities. Job analysis can be used for purposes of legal compliance, recruitment, selection, performance appraisals, compensation and training and career development. There is no one single best job analysis technique and thus the choice of the technique should be guided by the purpose of the analysis (Balkin et al., 1997; Stone, 1998). From the job analysis job descriptions are derived. Job descriptions are statements of a job’s essential duties, responsibilities, working conditions and specifications. They can be specific or general and have usually four elements: identification information, job summary, job duties and responsibilities and job specifications and minimum qualifications (Balkin et al., 1997).

2.2.3.2 Recruitment and selection

Recruitment is the process of locating and attracting qualified candidates for job vacancies within an organisation. To achieve their business objectives, organisations require candidates with the appropriate knowledge, skills, abilities and personal qualities. Companies can recruit from the internal labour market, for example from other departments in the firm and other levels in the organisational hierarchy, or they can rely on the external labour market. Although this decision (whether to recruit from the internal or the external labour market) may not be significant for entry-level jobs, it is important for most other jobs. Recruiting internally essentially means that
there should be a policy of promotion from within. While this policy can serve as an effective reward, it commits a firm to providing training and development opportunities if the promoted employees are to perform well (Schuler & Jackson, 1987; Stone, 1998). Recruiting externally can provide new blood for the company although the new recruits will need training in the operational side of the business.

The choice of selection criteria should be consistent with the organisation’s strategic direction and culture. Employee selection strategies when aligned with the company’s business strategies can produce a positive contribution to organisational performance (Stone, 1998). As an organisation’s ultimate success depends on the best applicants being selected, jobs and people must be correctly matched to ensure both employee satisfaction and organisational effectiveness. To this end, as much job related information about the candidate should be collected as possible. Data sources include application forms, employment tests, interviews and references. In practice, the interview remains one of the most popular source of candidate information (Balkin et al., 1997; Stone, 1998).

2.2.3.3 Training and Development

Accelerating rates of change and global competition have meant that training and development have become important organisational issues. Training and development are now recognized as critical to competitive success (Schuler, 1986; Balkin et al., 1997; Stone, 1998; Storey, 2001). Although training and development often go hand-in-hand and the terms are used interchangeably, the terms are not synonymous.

Training typically focuses on providing employees with specific skills and helping them correct deficiencies in their performance. Training starts when an employee enters the organisation. The need to orient employees and generate a feeling of belonging is critical to avoiding problems of incorrect job instruction, labour turnover and reduced morale. Development, on the other hand, is an effort to provide employees with the abilities that the organisation will need in the future (Balkin et al., 1997; Stone, 1998).
The training process consists of three phases: assessment, development and conduct of training, and evaluation. In the assessment phase, organisational, person and task needs are identified and the goals of the training are clarified. Several options are available during the training phase. Training can take place either on the job or off the job and can be delivered through a variety of techniques. The most appropriate type of training, for example, retraining, team, creativity, diversity, cross-functional, should be chosen to achieve the objectives. In the evaluation phase, the costs and benefits of the training and development programme should be assessed to determine its effectiveness (Mondy & Noe, 1990; Balkin et al., 1997; Stone, 1998; Storey, 2001).

2.2.3.4 Performance Appraisal

Performance appraisal is a dynamic process with the emphasis on self-development, the establishment of performance standards and the giving and receiving of feedback. It is the identification, measurement and management of human performance in organisations. This involves evaluating performance, communicating that evaluation to the employee and establishing a plan for improvement. Appraisals should be future oriented activities that provide workers with useful feedback and coaches them to higher levels of performance. Appraisals can be used administratively and developmentally. Performance appraisal is a management programme; it is not just an HRM department responsibility. It is also an important motivator and employee development tool.

Performance appraisals begin by identifying the dimensions of performance that determine effective job performance. Job analysis is a mechanism by which performance dimensions can be identified (Balkin et al., 1997).

The primary goal of any appraisal system is performance management. To manage and improve their employees’ performance, managers must explore the causes of performance problems, direct manager and employee attention to those causes, develop action plans and empower workers to find solutions and use performance focused communication. Managers face challenges in managing performance like rate errors and bias, the influence of liking, organisational politics, whether to focus
on the individual or the group and legal issues including discrimination (Balkin et al., 1997; Stone, 1998).

2.2.3.5 Compensation/Rewards

Compensation is a critical part of HRM. Compensation policies and practices should reinforce employee behaviours that help achieve the organisation’s objectives and reinforce its desired culture.

No system for compensating employees is perfect. However, a systematic approach to compensation reduces the level of subjectivity and increases the likelihood of an organisation attracting, retaining and motivating suitable employees and gaining a competitive advantage (Stone, 1998). Without a systematic approach to compensation, an organisation will have difficulty monitoring cost effectiveness, legal compliance, pay equity, the relationship between pay and performance and whether its compensation programme supports its business strategy. An effective compensation plan enables the firm to achieve its strategic objectives and is suited to the firm’s unique characteristics as well as to its environment (Balkin et al., 1997).

Total compensation has three components (Stone, 1998; Noe et al., 2003): (1) base compensation, the fixed pay received on a regular basis; (2) pay incentives, programmes designed to reward good performance; and (3) benefits or indirect compensation, including health insurance and vacations. The pay options managers need to consider in designing a compensation system are internal versus external equity, fixed versus variable pay, job versus individual pay, below market versus above market compensation, monetary versus non monetary rewards, open versus secret pay and centralisation versus decentralisation of pay decisions. In all situations, the best choices depend on how well they fit with the organisation, its vision and strategies (Stone, 1998; Storey, 2001).

2.2.4 Human investment and corporate entrepreneurship

The human investment approach seeks to empower and motivate the people in the organisation more completely (Schuler, 1986; Morris & Jones, 1993; Oden, 1997;
Miles et al., 2000). Managers look at themselves as ‘support’, something that management typically does not do. Traditional hierarchies put managers at the top when, using the human investment approach, the pyramid should really be inverted: the workers at the bottom of the pyramid are the ones who do the work so management’s focus should be on supporting them. The human investment philosophy states that management’s job is not to control and monitor and supervise. Instead, management’s job is to develop and provide opportunities for employees to use their capabilities, including entrepreneurial competencies (Meyer & Heppard, 2000).

The human investment notion differs from the more traditional human resources model only in the sense that managers in an increasingly complex world must go a step further in their beliefs. They must be prepared to risk investing in the growth capabilities at the level of the individual employees and the work team. This investment is risky because, in the highly mobile, downsized organisations of today and tomorrow, the investment that managers make in their workforce may not always be easily measured in terms of direct impact on the organisation and its performance. That is, the results in investing in people cannot be accounted for as easily as the results in investing in more traditional tangible assets such as property and equipment (Schuler, 1992; Miles et al., 2000).

The human investment philosophy is closely related to entrepreneurial strategies. A human investment philosophy is conducive to the development of entrepreneurial competencies. It is difficult for a firm to be entrepreneurial without a human investment philosophy. Entrepreneurial activities are often the natural by-product of a human investment philosophy. It seems that managers are creating entrepreneurs with this philosophy. That is not something that typically has been done in established firms. Managers have focused on establishing guidelines and constraints on what most members of the organisation could do. In the human investment model, managers are really trying to pull back those constraints and help employees learn and develop. Entrepreneurial strategies are often a natural by-product of those types of human investment-based approaches (Hussey, 1996; Meyer & Heppard, 2000).
Full implementation of the human investment philosophy requires that managers treat all employees as if they have the capability to be entrepreneurial. However, experience suggests that this is not likely to be the case. There are in fact likely to be some workers who simply do not have the requisite variety of skills for entrepreneurial activity. In addition, there are probably a fair number of people who, despite having the ability to take on more challenging assignments, are simply more comfortable with traditional management approaches. They want to know what their job is, and they do not want a great deal of ambiguity in their daily work lives. They prefer to have an hourly rate, salary, earn overtime, go home and forget about the job. They like to have the ability to say no and to avoid responsibility. So not only do managers need to have a human investment approach, but they also need to find employees who believe in it or train them to accept it (Kanter, 1985; Meyer & Heppard, 2000).

As a general rule human investment approaches and entrepreneurial strategies are more likely to be successful in industries that employ large number of professionals. Though one is hesitant to generalise too far, professionals have typically gravitated toward their positions because they had a bent toward self-direction and preferred situations where there were not a great number of constraints imposed by management. There are, however, blue-collar employees who would thrive under an entrepreneurial strategy, and there are some professionals who could not handle it. Thus, managers need to consider both the nature of their recruiting process and the situations in which the employees will be working as well as their training and development (McGrimmon, 1995; McGrath & MacMillan, 2000; Meyer & Heppard, 2000; Miles et al., 2000).

These ideas are challenging for organisations and for managers who were trained with a different set of assumptions about employees and their role in the firm. Given the emphasis on downsizing and outsourcing in recent years, it has been relatively easy for managers to make almost no human resource investments. Only far-sighted managers can recognise the need to renew the competencies in their own organisation and to develop corporate entrepreneurship. Such managers have also recognised that
there are greater requirements for adaptation and intrapreneurship. There is a need to train deeper in the organisation (Schuler, 1992; Miles et al., 2000).

Peter Drucker (1984) described the notion that an ideal organisation behaves in such a way that every person thinks like a manager, that is everyone has managerial vision. This is the type of organisational reality that must evolve in advanced organisational forms and entrepreneurial strategies. Ideally everyone in the organisation must have entrepreneurial vision and managerial competence. That is a view of the ultimate organisational form that is currently imaginable. Everyone is an entrepreneur, a coordinator, a facilitator, and a professional. This is achievable only with heavy investment and reinvestment in human resources.

2.3 Human Resource Management and Corporate Entrepreneurship

This section identifies the importance that HRM professionals play in creating an entrepreneurial environment. Additionally, it discusses the HRM practices that support entrepreneurship: planning, recruitment and selection, training and development, performance appraisals and compensation and rewards.

2.3.1 Importance of HRM in corporate entrepreneurship

Human capital is the greatest asset of any organisation (Covey, 2002). When one taps into the mind, body, heart and spirit of an individual to release their talents, character and potential, one has the true spirit of enterprise. The key to productivity and effectiveness lies in an organisation’s ability to create a culture where people are given freedom to be entrepreneurial (Pinchot, 1985, 2000; Covey, 2002). An HRM manager has to make sure that HRM practices are wired into the entrepreneurial strategy of the organisation (Porter, 2000).

Regardless, of their industry, size or location, companies today face similar business challenges, for example globalisation, continuous change and becoming a learning organisation. Collectively these challenges require organisations to build new capabilities. The responsibility of developing these capabilities lies with everyone but
it is HRM’s main reason to play a leadership role in enabling organisations to meet the competitive challenges (Ulrich, 1998).

In recent years, the field of human resource management has moved to consider not only micro but also macro relationships (Butler et al., 1991; Richard & Johnson, 2001). The micro focus, evolving from industrial psychology (Kaufmann, 1993) emphasized human resource policies and their influence on individuals. This focus was concerned with such outcomes as job satisfaction and employee participation. The macro focus shifts the level of analysis from the individual to the organisation. The macro orientation stresses how HRM policies shape individual behaviour that ultimately affects organisational level outcomes such as profit, sales, quality and growth.

Wright and McMahan (1992) argue that this macro orientation facilitates organisations in achieving their goals through human resources. Kamoche (1996) calls this orientation the ‘matching school’ and argues that human resource policies and practices that fit with the business strategies of the firm enhance firm effectiveness. In other words, firms seek to align human resource strategy with business strategy (Kamoche, 1996; Richard & Johnson, 2001). When one set of policies are used for staffing decisions, another for training and another for compensation, employees can become more confused than focused and organisational results can languish (Ulrich, 1998).

HRM professionals play a major role in creating an entrepreneurial environment. They design HRM practices that can and should be used to both create and implement the strategy of corporate entrepreneurship. Employees should be hired who embody the values and purposes of the firm; pay systems should be created that drive employee behaviour consistent with corporate entrepreneurship; training and development should provide skills for delivering corporate entrepreneurship and so on. HRM professionals are informed observers of how much clarity exists around the strategy of corporate entrepreneurship. Through their multiple contact points with employees, for example, in training courses, job interviews, employee surveys, performance appraisals, they collect current impressions and data on employees’
perceptions about the organisations’ entrepreneurial strategy. This information can provide guidance on how better to communicate the vision and strategy of the company to the employees (Ulrich, 1998).

The typology of HRM practices proposed by Schuler and Jackson (1987) provides a useful framework for establishing linkages between HRM and corporate entrepreneurship (Morris & Jones, 1993).

When deciding what human resource practices to use to link with corporate entrepreneurship, organisations can choose from five human resource practice types. Each of the five types concerns a different aspect of human resource management. These practices are planning, recruitment and selection (staffing), training and development, performance appraisal and compensation (Schuler & Jackson, 1987).

2.3.2 HRM practices that support corporate entrepreneurship

Planning. Human resource planning is important for the linkage to corporate entrepreneurship (Schuler, 1986; Chew & Chong, 1999). This is the process by which the vision of corporate entrepreneurship gets articulated into specific human resource needs. These plans must be able to fulfil future quantitative and qualitative employment relationships. Several key choices are necessary for human resource planning. These include the formalisation of the HRM plans and their integration with the overall corporate entrepreneurial plans of the company. The plans should be long-term oriented with a high employee involvement (Brandt, 1986). Job related tasks would need to be broadly defined with more decision-making discretion for employees. Additionally, a greater emphasis would need to be placed on results over process or procedure for doing a job (Schuler, 1986; MacMillan et al., 1986). Jobs therefore, are less structured or constrained by rigid organisational procedures. Multiple policies and procedures, along with centralised decision making tend to constrain action alternatives and inhibit the proactive decision making necessary for successful corporate entrepreneurship (Schuler, 1986; Morris & Jones, 1993). Human resource planning can be viewed as the backbone for the rest of the HRM practices to be carried out (Morris & Jones, 1993; Chew & Chong, 1999).
Recruitment and Selection (staffing). Recruitment and selection ensures that the needs of the organisation are satisfied by managing the flow of personnel within the organisation. Concerns in recruitment and selection include the design of the selection system, matching key executives to fit strategies and projects and matching the flow of personnel to the emerging entrepreneurial endeavours (Chew & Chong, 1999). The fit between company direction and available internal resources may be poor. As such, firms may be forced to rely on external sources for job candidates. This would in turn, increase the need for extensive orientation and socialisation programmes for the new recruits. The demand for an entrepreneurial organisation will result on a reliance on more general, implicit and less formalised selection criteria (Morris & Jones, 1993). Once the selection process is over, to support corporate entrepreneurship the firm would design broad career paths and multiple career ladders for the employees. These paths provide the employees with exposure to different areas of the organisation and different ways of thinking. Therefore, this exposure enhances entrepreneurial thinking, problem solving and also encourages cooperation within departments.

Staffing procedures, as are selection procedures, in organisations that support corporate entrepreneurship are more open. Therefore, an employee should not be selected for, or assigned to, entrepreneurial tasks simply on the basis of past performance on other tasks or because they have the basic knowledge and skills the job requires. The selection and staffing criteria should encompass every aspect of the project and be more open allowing for more employee self selection into the job and hence a better match between the entrepreneurial requirements of the organisation and the employee’s needs (Morris & Jones, 1993; Hamel, 1999).

While every company has at least some kind of process for capital allocation, few companies have a process for talent allocation and much less an open market for talent (Hamel, 1999). Capital budgeting has a process for addressing how much capital each business deserves each year, yet there is no process or knowledge that tells you whether a company’s most suitable employees are lined up behind its entrepreneurial or biggest opportunities. An organisation needs a way to match the most suitable employees for the projects to ensure their success. Staffing decisions in
the entrepreneurial business are made in a similar way to any other decision about people and jobs. They are risk-taking decisions as decisions about people are (Drucker, 1985). One way, according to Drucker (1985), is to think the assignment through; then one considers a number of people; one checks their performance records; and finally, one checks out each candidate with colleagues and past relationships.

By and large, employees who do not feel comfortable as corporate entrepreneurs will not volunteer for such jobs, other employees who do volunteer can learn the practice of corporate entrepreneurship (Drucker, 1985). What is needed is a willingness to learn, willingness to adapt and a willingness to apply the right policies and practices. This is what organisations that strive for a corporate entrepreneurial environment have found out is needed in regards to staffing (Drucker, 1985).

*Training and development.* Training and development will ensure that employees are equipped with skills, knowledge and abilities that are salient for the implementation of corporate entrepreneurship (Chew & Chong, 1999). Training and development practices can promote corporate entrepreneurship by being applicable to a broad range of job situations and also, encourage high employee participation (Schuler, 1986; Morris & Jones, 1993). The changing job demands and the need to keep abreast of the new technologies suggest a need for continuous and ongoing training. Training should not be a once off procedure but an ongoing process that moves with the ever-changing competitive environment. Research shows that corporate entrepreneurship is supported in organisations headed by more educated managers who came from diverse functional backgrounds (Bantel & Jackson, 1989). Additionally, training policies should be less structured and standardised and more open to whatever individual knowledge needs an employee may require (Kuratko et al., 1990, Morris & Jones, 1993). This type of training enables employees to respond in unique ways to new challenges, adapt to the dynamic environment and feel comfortable with ambiguity.

Training programmes should include components that include acceptance of change, a willingness to take risks, assuming responsibility, the value of teamwork and sharing
of achievements (Kanter, 1983; Kuratko et al., 1990; Morris & Jones, 1993). Furthermore, there should be an emphasis on managerial skills. Managerial skills play an important role in supporting corporate entrepreneurship. As difficult as it is to get capital for entrepreneurial projects within an organisation, it becomes just as hard to get the best people for the project. Managers have an enormous sense of entitlement of their employees and do not want to share them (Hamel, 1999). There is a lot of ‘turfism’ going on in companies and managers, when they feel that their area is being threatened, are reluctant to share knowledge or employees with other departments. Therefore, it is imperative to re-train managers with the necessary managerial skills so as not to have stumbling blocks with entrepreneurial ideas and projects. Managers need to learn not only to organise but also to align (Kotter, 2001).

Managers organise employees that can implement plans as precisely and efficiently as possible. Aligning involves talking to many more individuals than organising does. It is more of a communication challenge than a planning challenge. It is talking to people who can help implement or block corporate entrepreneurship in an organisation. Learning to align and not just to organise can lead to empowerment (Kotter, 2001). People have learned from experience that even if they correctly perceive important external changes and initiated appropriate actions, they are vulnerable to someone higher up who does not like what they have done (Kanter, 1986; Schuler, 1986; Kotter, 2001; Noe et al, 2003). Reprimands can take different forms like ‘That is against policy’ or ‘We cannot afford it’ and so on. This is one of the reasons why organisations have difficulties adjusting to rapid changes in technology or the organisation since so many people feel powerless. Alignment can help empower people in at least two ways (Schuler, 1986; Schein, 1987; Morris & Jones, 1993; Hamel, 1999; Kotter, 2001). First, when a clear sense of direction and vision has been communicated successfully throughout the organisation, employees can initiate actions without the same degree of vulnerability and reprimand. Since their behaviour and actions are consistent with the vision and direction of the company, managers will have more difficulties in reprimanding them. Second, since everyone is aiming at the same direction and target, the probability is less that an employee’s initiative will be stalled when it comes into conflict with someone else’s.
Apart from managerial skills, training and development should be provided to enhance employee’s abilities in understanding entire industries and the business implications of their trends and changes and the abilities involved in recognizing opportunities. Additionally, develop the abilities in assessing the functional activities of a business organisations and how they work together as a whole; the abilities involved in planning and administering organisational activities; the abilities involved in creating relations with and influencing people inside and outside one’s immediate organisations and the abilities involved in leading and motivating the behaviour of subordinates and colleagues (Herron, 1992; Morris & Jones, 1993). To summarize training and development should involve managerial skills, high employee participation, teamwork building, political skills, motivational and communication tools (Schuler, 1986; Schein, 1987; Kuratko & Montagno, 1989; Morris & Jones, 1993; Hamel, 1999).

Performance appraisals. Organisations communicate performance expectations and reinforce desired employee behaviours through their performance appraisals (Morris & Jones, 1993). Performance appraisals can foster corporate entrepreneurship when they are based on long-term results and performance. Undertaking a project that is long term but your performance is judged on a short term one year basis will undermine the employee and demotivate any future employees in being entrepreneurial. Furthermore, there should be an emphasis on effectiveness over efficiency and so be more results oriented rather than process oriented (Schuler, 1986; McMillan et al., 1986; Kuratko et al., 1990). A very important issue is that performance appraisals should include innovation and risk criteria, having thus employees judged additionally on their entrepreneurial efforts and the risk that they have taken. As in all the other practices, there should be high employee involvement in performance appraisals. Lastly, to support corporate entrepreneurship performance appraisals should reflect a tolerance of failure. Failure of an idea, project or task should not immediately mean punishment of the individual or the group but seen as a learning step towards successful corporate entrepreneurship (Schuler, 1986; Kuratko et al., 1989, 1990; Morris & Jones, 1993; Amabile, 1998).
Compensation/rewards. Compensation and rewards are important factors for attracting and retaining competent employees in the organisation (Schein, 1987; Chew & Chong, 1999). Where corporate entrepreneurship is expected from both managers and employees the compensation and reward system is a device that can be used to support entrepreneurial activities (Balkin & Logan, 1988). Most companies do not like to see corporate entrepreneurs earn amounts substantially more than salaried managers, even if the corporate entrepreneurs are directly responsible for considerable incremental revenues (Balkin & Logan, 1988; Wickham, 2004). Yet to put an artificial ceiling on a corporate entrepreneur's compensation sends a signal that one’s achievement is only partially recognised by the company. As a result, the company runs the risk that the employee or others with similar aspirations will go elsewhere to be more fully appreciated (Shays & de Chambeau, 1984). The key here is not how much compensation, but whether there is an artificial limit how much a corporate entrepreneur can earn. Managers of entrepreneurs must be willing to tie their compensation to results even if it sometimes means that they could earn more than people with more senior line responsibility.

Monetary rewards are not the only ones that can influence corporate entrepreneurship there are also benefits, recognition and generally motivational issues. Personal incentives, financial and non-financial, are necessary to reinforce the risk taking and persistence required to implement and support corporate entrepreneurship (Balkin & Logan, 1988; Morris & Jones, 1993). These incentives should be significant and reflect the effort needed for corporate entrepreneurship (Brandt, 1986). Corporate entrepreneurship can be fostered by compensation practices that include external pay equity and incentives such as stock options and profit sharing (Schuler, 1986; Block & Ornati, 1987). Other incentives include recognition, bonus schemes, awards and prizes (Schuler, 1986; Schein, 1987; Hamel, 1999). Compensation systems being tailored to fit individuals and groups performances and actions, should be decentralised and their design and implementation should be delegated to the divisional or departmental level (Burgelman, 1986; Balkin & Logan, 1988; Morris & Jones, 1993).
2.4 The Banking Industry in Cyprus

A brief background on Cyprus is introduced as well as a discussion on the economic environment in Cyprus.

2.4.1 Brief background on Cyprus

Cyprus is situated in the eastern Mediterranean, lying at the hub of three continents and close to the busy trade routes linking Western Europe with the Arab World and the Far East. Cyprus' total area is 9.25 sq km and is comparable in size to Lebanon in the Middle East or Connecticut in the United States.

Cyprus' estimated population is 730,000 of which 87.5 percent belongs to the Greek Cypriot community and 12.5 percent to the Turkish Cypriot community. Greek and Turkish are the official languages of the Republic but English is widely spoken and understood and is regularly used in commerce and government. Apart from the capital, Nicosia with an estimated population of 189,000, all major cities are located on the coast. Limassol is the second largest city and the island's biggest port. Larnaca and Paphos, which are popular holiday resorts, are the third and fourth largest cities, respectively (Dept of Statistics, 2005).

The structure of government is similar to other western democracies where human rights, political pluralism and private property are safeguarded. The Head of State is the President of the Republic who is elected by universal suffrage for a five-year term of office. The Council of Ministers, which is appointed by the President, is the executive organ of the Republic. Legislative power lies with the House of Representatives whose members hold office for a period of five years. There is a multiparty system of democracy based on proportional representation. (Dept of Statistics, 2005)

Cyprus is a member of the United Nations and its specialized agencies, as well as the Council of Europe and the Commonwealth. The island is also a fully-fledged member of the European Union since May 1st, 2004. Cyprus is represented through full
diplomatic missions in 26 countries and 98 consulates around the world. (Dept of Statistics, 2005)

The legal system is based on the same principles as those of the United Kingdom and all statutes regulating business matters and procedures are based essentially on English law. Most laws are translated into English. The Continental system of administrative law, according to which the legality of administrative decisions can be judicially controlled, has been introduced and applied by virtue of the constitution. Original criminal jurisdiction rests in six District Courts for minor offences and in Assize Courts for more serious crimes. All appeals are heard by the Supreme Court, which is also empowered to pronounce final judgement in all cases of constitutional and administrative law.

2.4.2 Cyprus economic environment

Cyprus has an open free market economy. The role of government is limited to regulation, indicative planning and the provision of public utilities. The island is often aptly referred to as a European country in the Middle East. Per capita GNP is over US$13,000, one of the highest in the Mediterranean (Dept of Statistics, 2006). Nicosia ranks as the seventh least expensive of the leading 53 international business centres surveyed in *Prices and Earnings Around the Globe* published by the Union Bank of Switzerland (UBS) in September 2005.

The economy is driven by thriving tourist and service sectors and a fast growing export-oriented industry. In terms of their contribution to GNP the three most important sectors of the economy are tourism (hotels), finance-banking, insurance and business services and manufacturing. The performance of the economy has been such that it has combined high real growth, with low inflation characterized by a low external debt service to exports ratio and high international reserves to imports ratio.

Earnings from tourism have consistently grown faster than exports. About 76 percent of tourist arrivals originate from the European Union (Dept. of tourism, 2006). Cyprus’s main exports are clothing, potatoes, footwear, citrus fruit as well as chemicals and toiletries. Manufactured goods and agricultural products account for
76 percent and 22 percent of domestic exports, respectively. With regard to imports, intermediate inputs is the most important category accounting for more than 38%, while consumer goods account for more than 27 percent of total imports (Dept. of Statistics, 2006). Cyprus’s main trading partner is the European Union accounting for over 52 percent of total trade.

Cyprus’ entrepreneurial environment and supporting facilities compare favourable with those of the best-established centres of the world. The island is used by large multinational companies as a base for their regional headquarters because of its convenient location at the crossroads of Europe, the Middle East and Africa and excellent infrastructure in terms of telecommunication and flights. Cyprus is considered as one of the countries with the lowest tax rates in the EU. Tourism and agriculture are major industries, as well as shipping with the Cypriot merchant fleet ranking 6th on the list of maritime nations. The biggest asset of the Cyprus business community is its adaptability to changing business circumstances and its entrepreneurial spirit. This is further reinforced by a highly educated population as Cyprus has one of the highest numbers of University graduates per capita in the world. Cyprus has in abundance high quality managerial, administrative and technical staff. Cyprus has a well-trained and versatile work force. The island ranks among the leading countries if the world in terms of the proportion of university graduates. There is qualified technical, clerical and professional staff with wide experience and fluency in English.

In spite of the fact that Cypriots seem ready to join the ranks of the self-employed, they still prefer the security of a regular salary and professional stability. Cypriots though are not much different in this than other Europeans who are less daring in matters of entrepreneurship than Americans. According to research conducted by the European Commission in 2005, 56 percent of Cypriots would prefer to be self-employed (EU average 45 %) and 32 percent would prefer to be employees. 54 percent of Cypriots prefer to have a steady income (EU average 30%) and 56 percent want professional stability. This is a very high percentage since the EU average is 24 percent. This research was conducted in April 2004 with over 21,000 people from the EU and the USA taking part (Citizen, 2005).
Although approximately 45 percent of Europeans want to start their own business, they are far behind their American (61%) counterparts (Citizen, 2005). An explanation according to the deputy chief of corporate entrepreneurship in the EU is the fear of failure. If a European tries something and fails, he/she is stigmatised whereas the opposite happens in the US, where even banks give a second chance assuming that whoever fails will actually learn from their mistakes.

2.4.3 Banking in Cyprus

The legal tender is the Cyprus Pound. Cyprus’ market maker is the Central Bank, which aims to keep the Cyprus stable against the ECU (CY Pound= ECU 1.72). In addition to the Central Bank, the banking system consists of 8 onshore commercial banks, 24 offshore banking units, 4 specialized financial institutions and a number of hire-purchase companies (Dept of Statistics, 2006; ETYK, 2006). Commercial banking arrangements and practices follow the British model (ETYK, 2006).

Strong correspondent networks are maintained around the world by onshore and offshore banks. Most of them subscribe to SWIFT, Reuters Monitor, Telerate and other services. Thus they have easy access to the world-banking network and are able to carry out traditional and specialized financial transactions.

The Cyprus union of bank employees was established in 1955. Members of the union are all bank employees as well as the employees of the insurance companies owned by the bank. The union members today are almost 10,000, which is 99.5 percent of bank employees. All members strongly support the decisions made by the union and they participate 100 percent in any actions taken. As a result of the union’s achievements during all these years, bank employees today are considered to be among the best-rewarded employees in Cyprus (ETYK, 2006). Table 2.1 shows the total number of Cypriot banks and employees from 1998-2005.
### Table 2.1: TOTAL NUMBER OF CYPRIOT BANKS AND EMPLOYEES

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank of Cyprus</th>
<th>Laiki Bank</th>
<th>Hellenic Bank</th>
<th>Alpha Bank</th>
<th>Arab Bank</th>
<th>Coop Centr</th>
<th>Emporiki Bank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>2004</td>
<td>157</td>
<td>2923</td>
<td>115</td>
<td>2282</td>
<td>86</td>
<td>1333</td>
<td>28</td>
<td>616</td>
</tr>
<tr>
<td>2003</td>
<td>153</td>
<td>2929</td>
<td>119</td>
<td>2281</td>
<td>86</td>
<td>1320</td>
<td>28</td>
<td>621</td>
</tr>
<tr>
<td>2002</td>
<td>161</td>
<td>2901</td>
<td>123</td>
<td>2285</td>
<td>95</td>
<td>1315</td>
<td>27</td>
<td>594</td>
</tr>
<tr>
<td>2001</td>
<td>216</td>
<td>2935</td>
<td>131</td>
<td>2200</td>
<td>95</td>
<td>1305</td>
<td>28</td>
<td>510</td>
</tr>
<tr>
<td>2000</td>
<td>208</td>
<td>2782</td>
<td>143</td>
<td>1966</td>
<td>99</td>
<td>1147</td>
<td>25</td>
<td>391</td>
</tr>
<tr>
<td>1999</td>
<td>199</td>
<td>2767</td>
<td>145</td>
<td>1836</td>
<td>99</td>
<td>1205</td>
<td>24</td>
<td>311</td>
</tr>
<tr>
<td>1998</td>
<td>213</td>
<td>2752</td>
<td>136</td>
<td>1791</td>
<td>107</td>
<td>1179</td>
<td>23</td>
<td>278</td>
</tr>
</tbody>
</table>

Note 1: a = number of branches  b = number of employees

Source: CBEA, 2004

2.5 Development of research questions

The central research problem addressed in this research is:

*How can HRM practices support and encourage corporate entrepreneurship in the Cyprus Banking industry?*

I argue that HRM practices and policies that focus on encouraging Corporate Entrepreneurship will create an entrepreneurial climate (culture) in the entirety of the company and essentially develop continuous improvement in the organization.

In order to address the research problem four specific research questions were developed:

*RQ1: To what extent do banks in Cyprus use HRM practices known to encourage corporate entrepreneurship?*

Gathering data for this question allows a comparison of the HRM practices applied in Cyprus banks with the theoretical framework of HRM practices that are known to encourage corporate entrepreneurship. Information gathered from this question will provide the HRM practices that exist in the banks researched that are known to encourage corporate entrepreneurship. It will also serve as the base for the subsequent research questions.
**RQ2:** How effective are current HRM practices in encouraging corporate entrepreneurship in Cyprus Banks?

Having established what HRM practices encourage corporate entrepreneurship in Cyprus banks, the research question investigates how effective these practices are in enhancing corporate entrepreneurship in the context of the Cypriot banks. Some practices may be in place but may not necessarily have an impact on entrepreneurial activities. Other practices may be in place without the specific intention of encouraging corporate entrepreneurship.

**RQ3:** What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?

This question allows the researcher to delve deeper into the issues that inhibit HRM practices from encouraging corporate entrepreneurship in banks. The aim is to find out from stakeholders what constraints, such as organizational culture, economy, management style, organizational climate will stop HRM practices from being effective in enhancing corporate entrepreneurship.

**RQ4:** What are the important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

Finally, through establishing what HRM practices are used in Cyprus banks, their effectiveness and the inhibitors to HRM encouraging corporate entrepreneurship, this question examines the factors that exist in encouraging corporate entrepreneurship in Cyprus banks. Answers to this question may reveal the similarities and differences with the HRM theoretical framework and thus help identify how HRM can best generate corporate entrepreneurship in Cyprus banks.
2.7 Chapter Summary

This chapter focused on the theoretical framework supporting the research. It presented the two main theories on corporate entrepreneurship and human resource management and then it identified how the two can be aligned. Additionally, it discussed the context of the research based on the banking industry in Cyprus, providing information on Cyprus and the banking environment. The chapter concluded with the development of the research questions.
CHAPTER 3 – METHODOLOGY

This chapter discusses the research methodology used in this study. First, the chapter provides justification for the choice of research paradigm, methodology and selection of the case study method. Then details of the case study method are presented including research design, data collection, and case study analysis procedures. The chapter concludes with an explanation of the limitations and ethical considerations for this research and how they were dealt with. An overview of the chapter is presented in Figure 3.1.

Figure 3.1: Chapter 3 structure

<table>
<thead>
<tr>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Justification of the research paradigm</td>
</tr>
<tr>
<td>3.2 Justification of the qualitative research methodology</td>
</tr>
<tr>
<td>3.3 Justification of the case study research method</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4 Quality criteria for case study methodology</td>
</tr>
<tr>
<td>3.5 Research design</td>
</tr>
<tr>
<td>3.6 Data collection</td>
</tr>
<tr>
<td>3.7 Case study analysis procedures</td>
</tr>
</tbody>
</table>

| 3.8 Limitations of case study research            |
| 3.9 Ethical considerations                        |
| 3.10 Chapter summary                              |

Source: author
3.1 Justification of the research paradigm

To develop a research design for the study, the researcher should first decide which research paradigm is appropriate for the research (Guba & Lincoln, 1985; Perry et al., 1997). In this research, the research topic focuses on how HRM practices can support/encourage corporate entrepreneurship in the Cyprus banking industry. This topic falls under the umbrella of the social sciences. The research problem, the concepts within it, and the stance of the researcher determine the research paradigm most appropriate for the specific research project. The four major research paradigms are positivism, constructivism, critical theory and realism (Guba & Lincoln, 1985; Easterby-Smith et al., 1991; Perry et al., 1997). These four paradigms are briefly reviewed and it is argued that the realism paradigm best suits this research.

A paradigm refers to how a research should be conducted based on the researcher’s philosophies and assumptions about the world and the nature of existing knowledge on the research subject (Hussey & Hussey, 1997). It is a worldview that cannot be easily proven or disproved by simple logic since it deals with individual’s beliefs, assumptions and philosophies (Lincoln & Guba, 1985). A paradigm can be generally regarded as the ‘basic belief system’ that a researcher follows (Lincoln & Guba, 1994). Perry et al. (1998) referred to scientific paradigms as frameworks that determine ontology, epistemology and methodology.

**Ontology** is concerned with the nature and form of reality and attempts to find out what can be known about reality (Guba & Lincoln, 1994). **Epistemology** refers to the nature of the relationship between the reality and the researcher (Perry et al, 1998) and also to the means of how a researcher knows and understands reality (Deshpande, 1983). **Methodologies** are the research techniques and methods used to discover the reality (Perry et al., 1998).

In summary, paradigms determine what problems are worthy of exploration and what methods are available to explore them (Deshpande, 1983). Table 3.2 summarises the
four major paradigms according to the dimensions of ontology, epistemology and methodology.

**Table 3.1: Overview of research paradigms**

<table>
<thead>
<tr>
<th></th>
<th>Positivism</th>
<th>Critical theory</th>
<th>Constructivism</th>
<th>Realism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ontology</strong></td>
<td>Naïve realism: an attainable ‘reality’ exists driven by natural mechanisms</td>
<td>Historical realism: ‘reality’ is shaped by social, economic, ethnic, political, cultural and gender values over long periods</td>
<td>Critical relativism: ‘reality’ is constructed by people, thus there is no truth, but ‘multiple realities’</td>
<td>Critical realism: ‘reality’ is imperfectly attainable due to human limitations and the complexity of the world</td>
</tr>
<tr>
<td>The form and nature of the reality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Epistemology</strong></td>
<td>Objective ‘One-way mirror’ observer. Reality and investigator are independent. Findings are ‘true’</td>
<td>Subjective ‘Transformative intellectual’. ‘Reality’ is influenced by investigator’s values. Created value mediated findings</td>
<td>Subjective Passionate participant. Created findings from several sources, therefore value mediated</td>
<td>Modified objective ‘Open window view’, investigator not central in the research. Some objectivity sought</td>
</tr>
<tr>
<td>The nature of the relationship between the reality and the researcher</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td>Quantitative methods: surveys and experiments. Verification of hypotheses</td>
<td>Action research</td>
<td>In-depth unstructured interviews and participant observation</td>
<td>Qualitative methods: case studies, structured interviews, convergent interviews</td>
</tr>
<tr>
<td>Techniques for collecting and analysing data</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Guba & Lincoln, 1985; Easterby-Smith et al., 1991 and Perry et al., 1997)

Following are brief reviews of the paradigms summarised in Table 3.2.

**Positivism.** The positivism paradigm’s key notion is that the social world exists externally and that its properties should be measured through objective and independent methods rather than being inferred subjectively through reflection or intuition (Yin, 1994; Denzin & Lincoln, 1998). The researcher and the research subject are viewed as independent units and the researcher cannot influence the subject (Denzin & Lincoln, 1998). The techniques used for collecting and analysing data are usually quantitative methods like surveys, experiments, tools that can verify hypotheses.
**Critical theory.** In a critical theory paradigm reality is shaped by a combination of social, political, cultural, ethnic, economic and gender factors over periods of time (Denzin & Lincoln, 1998). This reality is viewed as a historical reality. The research subject and the researcher are assumed to be interactively linked, with the values of the researcher influencing the research. Therefore, the findings of the research are considered to be value mediated (Denzin & Lincoln, 1998). The research is of a transactional nature and it requires a dialogue between the researcher and the subjects of the research. That dialogue would try to transform the views of the subjects into an informed consciousness, making the subjects see how the views can be changed and to understand the actions required to effect those changes (Denzin & Lincoln, 1998). The methodology usually used in this paradigm is action research.

**Constructivism.** The constructivist notion is that reality depends on the individual or a group of persons and thus there is not one truth but multiple realities. The reality constructed is viewed as alterable. The subject of the research and the researcher, as in the case of the critical theory paradigm, are linked. The findings are regarded as created as the research proceeds, and so the researcher is not an observer but becomes a passionate participant (Lincoln & Guba, 1985; Perry et al., 1997; Denzin & Lincoln, 1998). Techniques that can be used for data collection are in-depth interviews, participant observation, and dialogues (Easterby-Smith et al., 1991; Denzin & Lincoln, 1998).

**Realism.** Like in the positivist paradigm, realism is concerned with the real outside world. Realism accepts that it is possible to fully understand the world because of human limitations and the complexity of the world. The realism paradigm has also been referred to as the phenomenological paradigm with the idea that reality is socially constructed rather than objectively determined (Lincoln & Guba, 1985; Perry et al., 1999). The researcher here looks at reality as through an open window, that is the researcher is part of the research process but tries to remain as objective as possible. The researchers in this paradigm are not entirely free of values but become aware of the values that they possess (Perry et al., 1997). The research methodologies used in this paradigm are usually qualitative methods like case studies, structured or convergent interviews.
Positivism, critical theory and constructivism were not considered appropriate research paradigms for this research. In the positivist paradigm reality is observable and its properties measured through objective independent methods whereas this research deals with unobservable phenomena and human behaviour and beliefs, which cannot be objectively understood. Critical theory was deemed inappropriate because this research does not aim to transform corporate entrepreneurship and HRM practices although the findings could be used to modify some practices; instead the aim of the research is to document the phenomena. Also, critical theory paradigms deal with change over a period of time while this research does not deal with longitudinal studies. Lastly, constructivism was not appropriate because constructivism reality is based on beliefs that result in multiple realities with the findings created by the researcher and the participants; instead, this research deals with investigating an organisation’s actual strategies, practices and policies as realistically as one can and not subjectively create these findings.

The realism paradigm involves describing social phenomena in all their complexities within the human limitations as objectively and realistically as possible. That is what is involved in this research, and therefore realism was identified as the most suitable paradigm for this research.

3.2 Justification of the qualitative research methodology

In conjunction with the research paradigms are the issues concerning the selection of the research methodology. There are two general types of research methodologies: quantitative and qualitative (Yin, 1994; Zikmund, 1997, 2000; Carson et al., 2001). This section discusses the two types of methodologies and explains why qualitative methodology has been finally selected as most appropriate.

Quantitative research. Quantitative research applies some form of statistical analysis (Malhotra, 1993); it uses mathematical models, statistical tables and graphs and usually selects data from large samples (Emory & Cooper, 1991; Malhotra, 1993).
This methodology type is shaped mainly by the positivist paradigm and the method is used to discover, verify or reject theories and hypotheses (Denzin & Lincoln, 1998). Quantitative researchers often report their findings in terms of complex statistical measures or methods like path analysis, regression analysis or linear analysis (Denzin & Lincoln, 1998). In general, quantitative studies emphasize the measurement and analysis of causal relationships between variables and the research is professed to be within a value free framework (Easterby-Smith et al., 1991; Yin, 1994; Zikmund, 1997; Denzin & Lincoln, 1998).

**Qualitative research.** Qualitative research stresses the socially constructed nature of reality and the situational constraints that shape the research (Denzin & Lincoln, 1998). Qualitative research emphasises processes and meanings that are not thoroughly examined or measured in terms of frequency, quantity, amount or intensity. Qualitative researchers seek answers as to how social structures and experiences are created and given meaning and usually emphasize that the nature of the research is not value free (Yin, 1994; Denzin & Lincoln, 1998).

Qualitative researchers try to understand and explain attitudes and meanings instead of objectively trying to look for external reasons and laws to explain the behaviours (Perry, Riege & Brown, 1999). Qualitative data are well suited for locating the meanings people place on the events, processes and structures of their lives, their perceptions and assumptions and for connecting these meanings to the social world (van Maanen, 1977; Miles & Huberman, 1994). Qualitative researchers are more likely than quantitative researchers to confront the constraints of the social world. Quantitative researchers seek a nomothetic science based on probabilities derived from the study of large numbers of randomly selected cases whereas qualitative research involves small number of samples (Denzin & Lincoln, 1998).

Qualitative research methodology was selected as appropriate for this research. Qualitative methodologies focus on naturally occurring ordinary events in natural settings thus giving the researcher a handle on the nature of the reality. HRM is a discipline that deals with human interests; research in HRM tends to be subjective since it is based on people’s beliefs, meanings and experience (Cascio, 1995; Schuler
Jackson, 1999; Noe et al, 2003). Additionally, the choice of qualitative research methodology provides the researcher with data that can offer rich insight into human behaviour (Guba & Lincoln, 1994). This was clearly the preferred methodology for this research.

While this research adopts a qualitative methodology, some quantitative techniques were used in the data collection process. There are good reasons for supplementing a primarily qualitative methodology with quantitative techniques: one reason is to confirm and/or corroborate the data through triangulation. Secondly, it is a way to develop or elaborate on the analysis thus providing richer detail, and lastly, to initiate new line of thinking through attention to surprises or paradoxes that evolve and providing fresh insight to the research problem (Miles & Huberman, 1994).

The quantitative data gathered through surveys can help during analysis by showing the generality of specific observations and verifying or casting new light on qualitative findings (Miles & Huberman, 1994). Also, during analysis quantitative data can help ‘by validating, interpreting, clarifying, and illustrating quantitative findings, as well as through strengthening and revising theory’ (Miles & Huberman, 1994, p. 41). For this research survey techniques were used.

3.3 Justification of the case study research method

Having defined and justified the research’s paradigm as the realism paradigm and the type of methodology used as qualitative, this section justifies the use of the case study research method as appropriate for this research.

There are various methods of collecting and analysing empirical evidence. Whilst there is no one right method for a research problem, each method has its own characteristics, depending on the research there are some methods that can be more appropriate than others in a particular setting (Yin, 1989, 1994). The conditions that should be present when deciding on which method to use are: the types of research questions asked; the control a researcher has over events; whether the research
focuses on recent events and lastly whether the research is attempting to build or test a theory (Yin, 1989; Perry et al., 1998). Table 3.2 summarises these conditions and how they relate to five research methods of social science: experiment, survey, archive, history and case study.

Table 3.2: Summary of research methodologies

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Type of research questions</th>
<th>Requires control over events?</th>
<th>Focuses on current events?</th>
<th>Build or test theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How? Why?</td>
<td>Yes</td>
<td>Yes</td>
<td>Test</td>
</tr>
<tr>
<td>History</td>
<td>How? Why?</td>
<td>No</td>
<td>No</td>
<td>Build</td>
</tr>
<tr>
<td>Case study</td>
<td>How? Why?</td>
<td>No</td>
<td>Yes</td>
<td>Build</td>
</tr>
</tbody>
</table>

(Source: Yin, 1994; Perry et al., 1998)

Types of questions. According to Yin (1989, 1994), the first and most important condition for deciding among the various methods is to identify the types of questions asked. The types of questions can be: what, where, who, how much, how many, how or why questions. Depending on the research questions the investigator can narrow down the methods to be used. If for instance the question is ‘what’, then any of the strategies could be used (Yin, 1989). If the questions are ‘how’ or ‘why’ then it is recommended to use the case study, experiment or history method.

Extent of control over behavioural events. The history and case study method have no control over events and thus one method can overlap with another and they may rely on similar techniques as the historical method but they can have different sources of evidence. Additionally, the historical method often deals with the past whereas the case study method deals with contemporary events (Yin, 1989, 1994).
Degree of focus on current events. Depending on the focus of the research, if it deals with the past then it is more appropriate to use histories or archival research methods and if it deals with current events then the case study, experiment or survey method could be appropriate.

Test or build theory. Theory testing is usually done using quantitative methods like surveys and experiments (Easterby-Smith et al., 1991). When the research involves building theory then the other methods are preferred (Yin, 1989).

The questions posed in this research are of a ‘how’ and ‘why’ nature and the focus of the research is on a contemporary event of corporate entrepreneurship and HRM practices in the Cypriot banking industry. Additionally, the researcher has very little control over the events and is attempting to build a theory and not test one. On account of these conditions, the case study method was the preferred method among the five summarised in Table 3.3.

The case study method is one tool of investigating an empirical topic by following a set of plans and procedures (Yin, 1994).

For the purpose of this research the following definition of a case study is used:
“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between the phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” (Yin, 1994, pg 13)

3.4 Quality criteria for case study research methodology

A research method represents a logical set of statements and thus the quality of any research method can be judged based on a set of logical tests (Yin, 1994). Four tests have been commonly used to establish the quality of an empirical research study (Yin, 1989, 1994). The following Table 3.4 summarises the four tests used in establishing the quality of empirical research and includes therefore the case study research
method. The four tests include: construct validity, internal validity, external validity and reliability.

Table 3.3: Four tests to establish quality of case study research

<table>
<thead>
<tr>
<th>Tests</th>
<th>Definition</th>
<th>Case study tactic</th>
<th>Tactics used in current case study research</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct validity</td>
<td>Establishing correct measures for the data being researched</td>
<td>Multiple sources of evidence Establish chain of evidence Have key informants review drafts</td>
<td>Used multiple sources of information Documented chain of evidence Third party reviewed drafts</td>
<td>Data collection Data collection Composition</td>
</tr>
<tr>
<td>Internal validity</td>
<td>Establishing a causal relationship where one event led to another event. (Only for causal studies)</td>
<td>Pattern-matching Explanation building Time series analysis</td>
<td>Pattern matching Triangulation</td>
<td>Data analysis Data analysis Data analysis</td>
</tr>
<tr>
<td>External validity</td>
<td>The extent to which the findings of the research can be generalised</td>
<td>Multiple case studies Replication logic</td>
<td>Used multiple case studies Used literal and theoretical replication logic</td>
<td>Research design Research design</td>
</tr>
<tr>
<td>Reliability</td>
<td>The extent to which measures are free from error and can be repeated with the same results</td>
<td>Case study protocol Case study database</td>
<td>Documented case study protocol Created case study database</td>
<td>Data collection Data collection</td>
</tr>
</tbody>
</table>

(Source: based on Yin, 1994)

The quality of the case study research was kept in mind throughout the research. The fourth column of Table 3.3 summarise the actual tactics used in the research to ensure the quality of the study; and, column five summarises the phase of the research in which the tactic was used. The following sections address in more detail the four quality criteria summarised in Table 3.3.
3.4.1 Construct validity

Construct validity refers to the establishment of correct operational measures for the research (Yin, 1994). Two main tactics (Yin, 1994) to increase construct validity are multiple sources of evidence and creating a chain of evidence.

Multiple sources of evidence. A strength of the case study method is the opportunity to use many different sources of evidence. The use of multiple sources of evidence allows the researcher to address a broad range of historical, attitudinal and observational issues (Yin, 1994). Therefore, any findings in case studies can be more likely to be convincing and accurate since it is based on several different sources of information, and thus can develop converging lines of research. This research used multiple sources of evidence, which included an extensive literature review, in-depth interviews, small surveys, documents collected from the banks and secondary data from unions and governmental offices. This allowed the researcher to find converging lines of inquiry and address a broader collection of the issues.

Chain of evidence. Establishing a chain of evidence means being able to trace the steps of the research, and being able to move from one part of the research to the other with clear procedures and evidence of the results. This research has meticulously collected and catalogued all data, referenced throughout the research the sources of evidence so that anyone reading the research can trace it back and links it to the findings and developments in the research.

3.4.2 Internal validity

Internal validity refers to the establishment of a causal relationship that is one event or condition leading to another event or condition. This research however does not attempt to establish causality and therefore cannot use internal validity as a quality criterion. It will use however an alternative construct proposed by Lincoln and Guba (1985) called credibility.

Credibility refers to the goal to demonstrate that the research was conducted in such a manner as to ensure that the subject was correctly identified and described (Lincoln &
Guba, 1985; Marshall & Rossman, 1989). The tactics used in this research to achieve credibility were that of pattern matching and triangulation.

**Pattern matching.** Pattern matching refers to comparing empirically based patterns with predicted ones (Yin, 1989). The findings of this research are based on textual analysis of the interview transcripts as well as the research findings being compared with existing literature. Highlighting of patterns helped increase the case studies internal validity and credibility.

**Triangulation.** Triangulation is the combination of methodologies in the study of the same phenomenon (Denzin, 1978). Researchers can improve the accuracy of their findings by collecting different kinds of data bearing on the same phenomenon (Jick, 1983). This would involve the use of multiple methods to examine the same dimension of a research problem. It should be noted though that multiple methods may not yield anything if the research questions are ‘wrong’. If the research is not focused theoretically or conceptually then all the methods will not be able to produce a satisfactory outcome (Jick, 1983).

In this research data were collected over a period of two months and it incorporated in-depth interviews that asked about viewpoints and approaches to HRM practices encouraging and supporting corporate entrepreneurship; and it looked at reports and documents. This kind of triangulation is labelled by Denzin (1978) as the ‘between (or across) methods’ type, it is a way for cross validation when two or more distinct methods are found to be congruent and yield comparable data (Jick, 1983; Denzin & Lincoln, 1998). In addition, multiple informants were interviewed to collect data about each case. The data collected was then clustered, given codes and put in categories and the findings presented in terms of matrixes, charts, diagrams and textually in Chapter 4 data analysis.

3.4.3 External validity

External validity involves the establishment of the domain to which a research’s finding can be generalised beyond the current case study (Yin, 1989, 1994; Miles &
Huberman, 1994). Two tactics were used in this research to address external validity: multiple case studies and replications logic.

*Multiple case studies.* This research increased external validity by using multiple case studies. Evidence from multiple cases is often considered as more convincing and thus making the overall research stronger (Yin, 1989).

*Replication logic.* Replication logic has also been used meaning that findings have been replicated in multiple cases by literal replication, which predicts similar results in the case studies, and by theoretical replication, which produces contrary results, but for predictable reasons (Yin, 1989, 1994). Replication logic was used during data analysis but not to select cases in this research.

### 3.4.4 Reliability

Reliability is the last of the four tests used to judge the quality of a research methodology. Reliability involves the ability of other researchers to arrive at the same findings if they follow the same procedures of the first researcher and conduct the same case study as the original researcher (Yin, 1994). There are two tactics that can enhance reliability and these are: establishing a case study protocol and developing a case study database.

*Case study protocol.* An important facet to multiple case study design is to implement a case study protocol (Yin, 1994). It is a means to achieve reliability in the research and according to Yin (1994) has four sections: an overview, the guide for a case study report, the field procedures and the case study questions.

*Overview.* The overview of the case study research was outlined in Chapter 1. It presents the background to the research and identifies the research problem and research questions.

*Guide for case study report.* The outline of the thesis explained at the end of Chapter 1 in section 1.7 is the guide to the case study report.
Field procedures. The field procedures were presented in Chapter 3. Procedures include contacting interviewees and making appointments for interviews, taping the interviews and communicating the purpose of the research to all interviewees.

Case study questions. The case study questions are introduced in Chapter 1 section 1.2 and explained in more detail at the end of Chapter 2 in section 2.5. The questions used in data collection are detailed in Chapter 3 Table 3.5 and the actual research instruments are included in Appendix 3.1.

A detailed case study protocol was established; a copy is supplied as Appendix 9. Case study procedures and policies were well documented thus affording any other researchers the ability to trace the steps of the researcher and arrive at the same conclusions (Yin, 1994).

Case study database. This tactic concerns with the way of organising and documenting the data collected in the case studies (Yin, 1989, 1994). The main point is that every case study research should develop a formal, retrievable database, so that other researchers can review the evidence directly and not have to be limited to the written reports and analysis, thus increasing the reliability of the case study (Yin, 1994).

A case study database as explained in this section has been developed for the purposes of this research. A case study database has also been created so that anyone can check the accuracy of the data analysis. The two sources of evidence interviews and documentation are kept in folders, as well as the cassette recordings and transcripts of the interviews are easily accessed and can be reviewed. The research presents sufficient evidence within the case study research so that anyone can draw their own conclusions from it but still a database is provided so that anyone has the option to inspect the database that led to the research conclusions (Yin, 1994).
3.5 Research design

This section addresses the issues concerning the design of this research. First, the use of prior theory is discussed by summarising the views on induction and deduction in research design. Next, the use of multiple cases is justified including the selection, types of and number of cases. Lastly, the specific cases chosen for this research are discussed.

3.5.1 Role of prior theory

Case study research can have elements of both theory building (also called induction) and theory testing (called deduction). Deduction uses prior theory giving direction to the testing of theories whereas induction does not refer back to any prior theory in the research (Yin, 1994; Carson et al., 2001). There is controversy about how much induction and deduction should be used in case study research. Some researchers argue that pure induction should be used in case study research (Eisenhardt, 1998) and others argue that more deduction should be used in case study research (Yin, 1994). A preferred position is the use of a mixture of induction and deduction in case study research (Miles & Huberman, 1991; Yin, 1994; Carson et al., 2001).

A blend of induction and deduction was used for this research. Prior theory orientation affords the researcher the benefit of existing theory; the researcher can still maintain the ability to develop new theory. The research questions and research design were based on prior theory, which in turn helped organise the case study research and also helped define alternative findings to the theory (Yin, 1994). In addition, prior theory provided a useful template for analysing data and improving the quality of the research. Lastly, the combination of induction and deduction was applied for the development and advancement of theoretical foundations (Yin, 1994; Carson et al., 2001). This research primarily used deduction; induction was used in the analysis phase to explain unexpected findings.
3.5.2 Multiple case studies

The researcher has to decide whether to focus on a single case or on multiple cases. Figure 3.2 presents the types of case studies designs.

**Figure 3.2: Types of case study designs**

<table>
<thead>
<tr>
<th>Single case designs</th>
<th>Multiple case designs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holistic</td>
<td>TYPE 1</td>
</tr>
<tr>
<td>(Single unit of</td>
<td>TYPE 3</td>
</tr>
<tr>
<td>analysis)</td>
<td></td>
</tr>
<tr>
<td>Embedded</td>
<td>TYPE 2</td>
</tr>
<tr>
<td>(Multiple units of</td>
<td>TYPE 4</td>
</tr>
<tr>
<td>analysis)</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Yin, 1994, p. 46)

Single case studies usually involve a critical case, or rare and unique cases or when the case serves a revelatory purpose (Yin, 1994). There was not ‘one critical case’ available as the focus for research. The topic under investigation is complex and requires more than just one case study. Research into The HRM practices of the Cypriot banking industry required researching various Cypriot banks so as to get the rich and deep insights of the evidence as well as providing comparative data that can be analysed.

Multiple case studies afford the researcher the opportunity of the evidence and the research being more robust as well as providing data for triangulation (Yin, 1994). Multiple case studies were adopted as the most appropriate research design for this research. They allow for cross case analysis, which can lead to richer theory building, comparisons and differences (Carson et al., 2001).

3.5.3 Selection of cases

3.5.3.1 Types of cases

This research was based on the banking industry in Cyprus. Within this industry cases were sought based on the following criteria: Cypriot owned and information
rich. The research focuses on Cypriot owned banks because international banks would have to rely on decisions made from abroad whereas this research was interested in the strategic decisions being made in Cyprus. This eliminated any foreign owned banks and offshore banks. The second criterion was set because information rich cases would provide for fuller and deeper data analysis and findings.

3.5.3.2 Number of cases
There is no agreement as to the precise number of cases to be included in multiple case research (Eisenhardt, 1989; Yin, 1994; Carson et al., 2001). Eisenhardt (1989) recommends that cases should be added until the researcher feels that theoretical saturation is reached; similarly, Lincoln and Guba (1985) suggest including cases up to the point of redundancy. However many case are included it should be considered that “the validity, meaningfulness and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size” (Patton, 1990 p. 185).

The number of cases required for case study research ranges from two and four as the minimum and twelve to fifteen as the maximum (Miles & Huberman, 1994; Yin, 1994; Carson et al., 2001). Underlying reasons for the number of cases to be used includes: sampling techniques, replication logic and time constraints.

Within Cyprus ten banks fitted the criteria discussed previously and as such the maximum number of cases that could potentially be included in this research is ten.

3.5.3.3 Specific cases
In this research it was decided to study the four largest banks and also to include the largest of the smaller banks to investigate whether there would be any similarities or differences between the banks. Replication logic was used during data analysis. Descriptive data about the five banks is summarized in Table 3.4.
Table 3.4: Descriptive information about the five cases

<table>
<thead>
<tr>
<th></th>
<th>BANK 1</th>
<th>BANK 2</th>
<th>BANK 3</th>
<th>BANK 4</th>
<th>BANK 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (worldwide)</td>
<td>5000</td>
<td>4700</td>
<td>3200</td>
<td>4700</td>
<td>4000</td>
</tr>
<tr>
<td>Number of employees (Cyprus)</td>
<td>2100</td>
<td>1900</td>
<td>1400</td>
<td>700</td>
<td>205</td>
</tr>
<tr>
<td>Banking outlets (worldwide)</td>
<td>250</td>
<td>210</td>
<td>25</td>
<td>400</td>
<td>502</td>
</tr>
<tr>
<td>Banking outlets (Cyprus)</td>
<td>160</td>
<td>137</td>
<td>80</td>
<td>36</td>
<td>21</td>
</tr>
<tr>
<td>Operations outside Cyprus</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Representative offices abroad</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Insurance companies owned</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

To address the issue of confidentiality and to try to provide some anonymity the five banks were given number codes from 1 to 5.

3.6 Data collection

This section presents the data collection techniques used in the research and describes the instruments for data collection. First, it describes the data collection techniques, which include documentation, interviews and surveys. Then, it describes the research instruments used for data collection. Finally, the selection and number of interviews conducted for the research and the pilot case the researcher conducted are presented.

3.6.1 Data collection techniques

Case studies may be based on six different sources of evidence: documentation, archival records, interviews, direct observation, participant-observation and physical artefacts (Yin, 1994). For this research documentation and interviews were used. In addition, survey instruments were used to collect some of the data during the interviews.
Documentation. For documentation the banks’ official documentation and their websites were used as well as news clippings and articles appearing in the mass media.

Interviews. In this research focused interviews were conducted using both open-ended and closed questions. Open-ended questions allow the researcher to ask interviewees for the facts on a matter as well as for their opinion about events. The interview was focused because the researcher followed a particular set of questions derived from the case study protocol (Yin, 1994). All interviews involved senior managers and the interviews had to be kept short and to the point. A total of 15 senior level managers were interviewed across the five cases. Each interview lasted between 45 to 55 minutes.

Surveys. Surveys were used in addition to interviewing. Case studies may benefit when the same questions are posed from two pools of ‘sites’ (Yin, 1994). In this research a smaller pool is the subject of the survey and the larger pool the subject of the interviews. The answers can be compared for consistency and reconfirmation. These surveys were administered to the same executives that were interviewed.

3.6.2 Research instruments for data collection

The research instruments used for data collection were an interview guide and a survey. These instruments are described in the following sub-sections.

3.6.2.1 Interview guide
An interview guide was developed to help focus the interviews. The interview guide consists of five sections. First, a brief explanation of some aspects of corporate entrepreneurship was provided. It was important to start the interviews with such explanation in order to ensure that interviewees understood the concepts discussed.

Four sections of the interview guide addressed each of the research questions in turn. The fifth section provided interviewees with an opportunity to add further information.
Table 3.5 summarises how the questions in the interview guide relate to the study’s research questions. A copy of the interview guide is provided in Appendix 3.2.

### Table 3.5: Relationship between research questions and interview guide

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Questions in interview guide addressing research questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RQ1:</strong> To what extent are banks in Cyprus using HR practices known to encourage corporate entrepreneurship?</td>
<td>Section 1: Question 1</td>
</tr>
<tr>
<td><strong>RQ2:</strong> How effective are current HR practices to encourage corporate entrepreneurship in Cyprus Banks?</td>
<td>Section 2: Questions 2-3 (a-d)</td>
</tr>
<tr>
<td><strong>RQ3:</strong> What factors inhibit HR practices in encouraging corporate entrepreneurship in Cyprus banks?</td>
<td>Section 3: Questions 4-5</td>
</tr>
<tr>
<td><strong>RQ4:</strong> What are the most important (HR) motivators in enhancing corporate entrepreneurship in Cyprus banks?</td>
<td>Section 4: Questions 6-7</td>
</tr>
</tbody>
</table>

3.6.2.2 Survey

Two short surveys were prepared to collect additional data. These instruments were used in addition to interviews to test the consistency of the data collected and to reconfirm the data. The surveys served as a tool to verify the data collected during the interviews, in addition to revealing any discrepancies in the data. The surveys were administered during the interview process. One survey was administered solely to all HRM executives and the other survey to all interviewees.

**Survey 1.** One survey instrument was administered to all interviewees during the interview after Section 4 of the interview guide. It was decided to administer the survey at that point so the interviewees could rate the importance of various statements to their organisations and then if there were any additional information they wanted to add Section 5 would provide them with that opportunity. Additionally, the survey could be used to verify or disconfirm data supplied by
participants during the interview. This survey instrument was based on literature discussed in Chapter 2 and summarised in Table 3.6.

Table 3.6 summarises Survey 1 (administered to all executives), indicating the purpose of the statements and the source from the literature review. A copy of the actual survey instrument used is included in Appendix 3.

**Table 3.6: Survey 1 – administered to all executives**

<table>
<thead>
<tr>
<th>Survey Statements</th>
<th>Purpose</th>
<th>Based on literature references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness of corporate entrepreneurship</td>
<td>Indicates knowledge of the organisation on corporate entrepreneurship</td>
<td>Block, Brandt, Burgelman, de Shambeau &amp; Shays, Kanter, Covin &amp; Slevin, Zahra</td>
</tr>
<tr>
<td>Handling of new projects</td>
<td>How new projects are judged within the organisation</td>
<td>Kanter, Miles &amp; Snow, Milkovich, Schuler</td>
</tr>
<tr>
<td>Aspects of rules, procedures and processes</td>
<td>Indicates how strict and rigid rules, procedures and processes are in the organisation</td>
<td>Brandt, Morris, Schuler, Schuler &amp; Jackson, Schuler &amp; Jackson</td>
</tr>
<tr>
<td>Time availability</td>
<td>How much time is available beyond daily duties</td>
<td>Brandt, Schuler</td>
</tr>
<tr>
<td>Handling of risk takers</td>
<td>Indicates how risk takers are viewed within the organisation</td>
<td>de Shambeau &amp; Shays, Schuler, Schuler &amp; Jackson</td>
</tr>
<tr>
<td>Handling of failure</td>
<td>Indicates how failure is handled in the organisation</td>
<td>Kanter, Morris &amp; Jones, Schuler</td>
</tr>
<tr>
<td>Training on corporate entrepreneurship</td>
<td>Indicates the amount of training in corporate entrepreneurship provided by the organisation</td>
<td>Maidique &amp; Hayes, Schuler, Kuratko, Montagno &amp; Hornsby</td>
</tr>
<tr>
<td>Type of employees</td>
<td>Indicates the type of employees the organisation selects</td>
<td>Milkovich, Morris &amp; Jones, Schuler</td>
</tr>
<tr>
<td>Compensation procedures</td>
<td>Indicates what compensation rates the organisation employs</td>
<td>De Shambeau &amp; Shays, Morris &amp; Jones, Pinchot, Schuler</td>
</tr>
<tr>
<td>Motivation</td>
<td>Indicates the types of motivation used by the organisation</td>
<td>Balkin &amp; Logan, Brandt, Kanter, Schuler</td>
</tr>
</tbody>
</table>

**Survey 2.** The second survey instrument was administered to HRM executives only. It was decided to administer the survey exclusively to HRM executives because the dimensions in the survey referred to HRM practices, which only the HRM executives
would have first hand knowledge of. This survey instrument was also based on literature discussed in Chapter 2 and summarised in Table 3.7.

Table 3.7 summarises the sections of the second survey, their purpose and from which literature reference they evolved. A copy of the actual survey instrument is included in Appendix 2.

**Table 3.7: Survey 2 – administered to HRM executives only**

<table>
<thead>
<tr>
<th>Survey Sections</th>
<th>Purpose</th>
<th>Based on literature references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1 – Planning/Job Design</td>
<td>Examines the fit of the organisation in various aspects of planning and job design.</td>
<td>Block, Brandt, Kuratko, Montagno &amp; Hornsby MacMillan, Schuler</td>
</tr>
<tr>
<td>Section 2 – Recruitment and Selection</td>
<td>Examines the practices employed in recruitment and selection.</td>
<td>de Shambeau &amp; Shays, Schuler, Schuler &amp; Jackson</td>
</tr>
<tr>
<td>Section 3 – Training and Development</td>
<td>Examines the extent of training and development in the organisation.</td>
<td>Brandt, Kanter, Kuratko, Montagno &amp; Hornsby, Maidique &amp; Hays, Morris &amp; Jones, Pinchot, Schuler</td>
</tr>
<tr>
<td>Section 4 – Performance Appraisals</td>
<td>Examines the practices undertaken in performance appraisals.</td>
<td>Brandt, de Shambeau &amp; Shays, Balkin &amp; Logan, Maidique, Morris &amp; Jones, Pinchot, Schuler &amp; Jackson</td>
</tr>
<tr>
<td>Section 5 – Compensation/Rewards</td>
<td>Examines the compensation and reward practices of the organisation.</td>
<td>Balkin &amp; Logan, Brandt, Kanter, Burgelman &amp; Sayles, Schuler &amp; Jackson</td>
</tr>
</tbody>
</table>

The surveys used Likert scales, which are a type of composite measure developed by Rensis Likert in an attempt to improve the levels of measurement in social research through the use of standardised response categories in survey questionnaires to determine the relative intensity of different items (Babbie, 2004). Participants were asked to rate various statements relating to their organisations; then if there was any additional information they wanted to add, they could do so as part of the final stage of the interview. The survey was used to verify or disconfirm the responses of the interviewees during their interviews.
Table 3.8 summarises both surveys and which research questions are addressed in the surveys.

Table 3.8: Relationship between research questions and the two surveys

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Addressed in Survey 1</th>
<th>Addressed in Survey 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ1: To what extent are banks in Cyprus using HR practices known to encourage corporate entrepreneurship?</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>RQ2: How effective are current HR practices to encourage corporate entrepreneurship in Cyprus Banks?</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>RQ3: What factors inhibit HR practices in encouraging corporate entrepreneurship in Cyprus banks?</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>RQ4: What are the most important (HR) motivators in enhancing corporate entrepreneurship in Cyprus banks?</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

3.6.3 Selection and number of interviewees

In this research three interviews were conducted in each of the five banks. The interviewees involved were from the same hierarchical level (managerial) in the five banks. They all had executive positions and were head of their respective departments, which were the HRM department, operations department and retail-banking (marketing) department. These executives were selected because of the information they could provide for the research. The HRM executives were essential interviewees because the research focused on HRM practices; hence HRM executives were highly appropriate sources of information. Two executives were selected because they were at senior management level, aware of the HRM practices of the
banks, and could give a strategic user perspective of these practices. They also would provide the researcher with richer information and would enable data triangulation.

Access was granted for all except one executive who was unavailable at the time the research was conducted. In this one instance their deputy was interviewed. Table 3.9 summarises the executives interviewed for this research.

### Table 3.9: Types and number of executives interviewed for this research

<table>
<thead>
<tr>
<th></th>
<th>Head of HR</th>
<th>Head of Operations</th>
<th>Head of Retail-Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK 1</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>BANK 2</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>BANK 3</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>BANK 4</td>
<td>Assistant manager interviewed</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>BANK 5</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

#### 3.6.4 Pilot case study

A pilot case study can help the researcher refine data collection plans and procedures. Yin (1994) notes that a pilot case study is not a pretest. The pilot case study helps develop relevant lines of questions and even possibly clarify some concepts whereas the pretest is like a dress rehearsal (Yin, 1994).

Although this sub-section is called ‘pilot case study’ the interviews conducted for the purpose of the pilot add elements of a pretest. The selection of the pilot case was based on convenience, access and geographical proximity. The research case studies were all conducted in Cyprus whereas the pilot case was conducted in Australia. The pilot was carried out in Australia because the researcher was based in Australia in the early stages of this research. A Cypriot bank in Sydney was chosen for the pilot study because the bank employed Cypriot and Greek employees and had similar attitudes and beliefs as the Cypriot banks, especially since most employees were on secondment from the banks in Cyprus.
The pilot case was conducted in March 2003. Data was collected from the CEO of the bank and the HRM manager. The interviewees were aware that this data collection was a pilot for the main research. The pilot confirmed that the interview questions and process used were appropriate, providing the research with the relevant information for the research. Very slight changes needed to be made to the original data collection process. These changes mostly concerned the administering of the surveys and, in particular, the amount of time spent on them.

3.7 Case study analysis procedures

This section explains how the data gathered were analysed and how conclusions were drawn.

Single case analysis proceeded cross case analysis and individual case analyses providing the data for cross case analysis (Patton, 1990; Miles & Huberman, 1994; Carson et al., 2001). The results were first interpreted at the single case level and treated as one of several factors in the pattern-matching and triangulation analysis and then they were compared across cases.

**Single case analysis.** In the single case analysis each bank was analysed individually and individual case write-ups were completed. The case write-ups consisted of several sections: an introduction was supplied with background information on the bank, the timetable the interviews took place and the executives interviewed. Following this, each research question was addressed and the findings presented. Lastly, a section on special features and interesting additional was included. Individual case write-ups can be found in Appendices 4.1 to 4.5.

**Cross case analysis.** Content analysis of the interview transcripts took place by coding into categories. The research issues determined the categories. Miles and Huberman (1994, p. 56) explain, “These codes are retrieval and organising devices that allow the analyst to spot quickly, pull out, then cluster all the segments relating to a particular question, hypothesis, concept or theme”. In addition, various analytic
techniques were used: a matrix of the categories was made and the evidence placed within each category, flow charts of the data were created, and lastly, tables of different events and their frequencies were created. Findings of the research based on cross case analysis are presented in Chapter 4.

3.8 Limitations of case study research

There are a number of limitations to the use of case study research. Criticisms include that case study analysis can result in unnecessarily complex theory development; the research can be difficult to conduct; external validity is difficult to achieve; the approach is insufficient for theory development; and lastly, there can be researcher bias (Eisenhardt, 1989; Patton, 1990; Yin, 1994).

Various strategies were adopted in this research to overcome the criticisms of the case study methodology and ensure that the research remained meticulous, providing rich data to address the research questions. Table 3.10 summarises the limitations and the strategies applied to overcome them.

<table>
<thead>
<tr>
<th>LIMITATIONS</th>
<th>STRATEGIC RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overly complex theories</td>
<td>- Use of prior theory.</td>
</tr>
<tr>
<td></td>
<td>- Development of research questions based on literature review.</td>
</tr>
<tr>
<td>Problems in conducting case study research</td>
<td>- Developed and used comprehensive case study protocol.</td>
</tr>
<tr>
<td>External validity</td>
<td>- Use of theoretical and literal replication.</td>
</tr>
<tr>
<td></td>
<td>- Use of triangulation.</td>
</tr>
<tr>
<td>Insufficient approach for theory development</td>
<td>- Multiple research methodology (prior theory, surveys, documentation, multiple case studies).</td>
</tr>
<tr>
<td>Researcher bias</td>
<td>- Research questions developed from prior theory.</td>
</tr>
<tr>
<td></td>
<td>- Focused interview, use of set questions.</td>
</tr>
<tr>
<td></td>
<td>- Open-ended questions.</td>
</tr>
</tbody>
</table>
Overly complex theory development. This was addressed by carefully reviewing prior theory discussed in Chapter 2, literature review. Parkhe (1993) asserts that the problem of developing overly complex theories can be overcome when “the research is guided by an initial, tentative framework that attempts parsimoniously to tie core variables into an integrated theoretical framework”. The research issues and questions were developed in the literature review chapter thus reducing the possibility for the research to develop overly complex theories since the researcher limited the domain of the research in Chapter 2.

Problems in conducting case study research. This research has endeavoured to overcome the criticism that case study research is difficult to conduct by adhering to a comprehensive case study protocol. Conduct of multiple cases can be difficult particularly when multiple researchers are involved and/or when cases are conducted over an extended period of time. In this research there was only one researcher and the research was conducted over a period of two months. The case study protocol documented the procedures the researcher followed throughout hence improving the reliability of the research.

External validity. The problem of achieving external validity in case study research was overcome by using multiple cases that enabled literal and theoretical replication during the data analysis as well as the use of triangulation for the analysis of data.

Insufficient approach for theory development. This criticism can apply to all approaches to theory development and not just exclusively to case study research. Nevertheless, this criticism was dealt with by not seeing the case study method as a single entity to theory development but as a part of long process using prior theory, documentation, surveys and multiple case studies in the research.

Researcher bias. It is difficult to keep the beliefs and preconceived notions of a researcher from affecting the analysis of the case studies. To address this, interviews were based on an interview guide addressing the issues derived from prior theory. This allowed the interviewees to express their own ideas without the researcher introducing her own bias on the issues.
3.9 Ethical considerations

Ethical considerations are important in any research project especially one that involves human subjects (Emory & Cooper, 1990; Leedy, 1997). The primary purpose of research ethics is to protect all parties from harm and adverse consequences resulting from their involvement in the research (Emory & Cooper, 1990).

The researcher fully briefed all the interviewees about the purpose of the research, providing a cover letter (see Appendix 1) giving information on the researcher and the purpose of the research. All interviewees were asked for their consent in taping the interviews. Additionally, anonymity was ensured by using codes and thus avoiding identification of individual banks and interviewees.

This research strictly followed the code of ethics set by Swinburne University and permission was given by the Human Research Ethics Committee to proceed with the research.

3.10 Chapter Summary

This chapter provided detailed information on the research methodology applied in this research. The realism paradigm, qualitative methodology, and case study method were described and justified as the most appropriate for this research. The quality of case study research was discussed. Next, the research design, data collection methods and analysis procedures were presented. Finally, the limitations and ethical considerations of the case study research were addressed. The next chapter presents the analysis of the data collected in the research.
CHAPTER 4 – DATA ANALYSIS

Chapter 3 described the methodology adopted to gather the data. In this chapter, the information collected from the case studies is analysed and the results presented. The objective of this chapter is to examine and categorise the data obtained, and to identify and interpret the core patterns and themes. How these results relate to the literature, their implications, findings and conclusions is discussed later in Chapter 5.

The outline of this chapter is shown in Figure 4.1.

Figure 4.1: Chapter 4 structure

4.1 Description of the five cases

4.2 Research questions

4.3 Research questions

4.4 Research questions

4.5 Research questions

4.6 Summary of findings of the four research questions

4.7 Chapter Summary

4.1 Description of the five cases

This research investigates how HRM practices can support and enhance corporate entrepreneurship in the Cypriot banking industry. The five largest banks on the island were selected to be interviewed; cases in this research were selected based on size; further details of the selection criteria were provided in section 3.5.3. In line with the usual requirements for a case study database (Yin, 1994), interview tapes,
transcriptions, and the interview protocol have been kept and are available from the researcher.

Descriptive information about the five cases is summarised in Table 4.1. All participating interviewees were from the banking industry, specifically from the HR, Marketing and Operations departments. Participants were all Cypriots, based at the headquarters of each bank in Nicosia, Cyprus. In order to facilitate discussion and for ethical reasons, cases used in this research are referred to as Bank 1, Bank 2, Bank 3, Bank 4 and Bank 5. In the table, Banks 1 to 5 are ranked according to the number of employees in each bank.

Table 4.1: Details of case banks

<table>
<thead>
<tr>
<th>Banks</th>
<th>Age of Bank in Cyprus</th>
<th>Total number of branches in Cyprus</th>
<th>Total number of branches worldwide</th>
<th>Number of employees in Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 1</td>
<td>Over 50 years</td>
<td>150</td>
<td>126</td>
<td>3000</td>
</tr>
<tr>
<td>Bank 2</td>
<td>Over 50 years</td>
<td>137</td>
<td>81</td>
<td>2300</td>
</tr>
<tr>
<td>Bank 3</td>
<td>Between 20 and 35 years</td>
<td>80</td>
<td>25</td>
<td>1400</td>
</tr>
<tr>
<td>Bank 4</td>
<td>Between 10 and 25 years</td>
<td>36</td>
<td>400</td>
<td>700</td>
</tr>
<tr>
<td>Bank 5</td>
<td>Between 10 and 25 years</td>
<td>21</td>
<td>502</td>
<td>175</td>
</tr>
</tbody>
</table>

Source: Field data collected for this research

A single case analysis of each case is presented in Appendices 4 to 8. Brief summaries of each of the cases are presented below.
Bank 1 is one of the oldest banks in Cyprus. It has 700 branches worldwide and owns an insurance company. Being one of the oldest and biggest on the island, the interviewees acknowledged the need for corporate entrepreneurship within their field.

Bank 2 is the second oldest bank in Cyprus with over 400 branches worldwide. This bank also owns an insurance company. This bank is trying to become a leader in the Cypriot banking industry and finds corporate entrepreneurship essential to achieving this objective.

Bank 3 has very strong ties with Greece and has over 300 branches worldwide, and it additionally owns an insurance company. In the last five years it has been undergoing a reengineering process and this has led them to acknowledge the need for corporate entrepreneurship so as to remain competitive.

Bank 4 is a recent entrant in the banking industry and does not have a long history in Cyprus. It has 170 branches worldwide and also owns an insurance company. It is trying to increase its market share and one strategy towards achieving this goal is to become an entrepreneurial company.

Bank 5 is one of the smallest on the island with 200 branches worldwide. This bank has also very strong ties with Greece and owns an insurance company. Being one of the smallest banks, they recognise the need for corporate entrepreneurship but feel that other fields need more attention from them so as to be competitive.

4.2 Research Question 1

The first research question asks to what extent are banks in Cyprus using HRM practices known to encourage corporate entrepreneurship?

A summary of the data pertaining to this question for each of the cases can be found in appendix 4 to 8, where the five cases are presented. The current section discusses the overall findings from cross-case analysis. First, it looks at the results from the HR Managers interview, followed by the results from the interviews of the Marketing and
Operations Managers and consequently, discusses the results of questionnaire 1 (given to all managers). The findings are summarised in Table 4.2. The results of the HR and Marketing and Operations Managers are then compared, as well as, providing a comparison of data across the five cases. Lastly, a summary of the results of research question 1 is provided.

4.2.1 Results from data collection about encouraging corporate entrepreneurship.

The following sections report on the results obtained from research question 1. It describes the HR, Marketing and Operations Managers views and briefly presents the results of findings from the questionnaire.

**4.2.1.1 HR Managers’ responses to using HR practices to enhance CE**

All five HR Managers said that corporate entrepreneurship is important for their bank.

**Bank 1**

The HR manager of Bank 1 said that corporate entrepreneurship is very important for the future success of Bank 1. It is an important concept, which is part of the overall company strategy.

**Suggestion schemes**

The HR Manager of Bank 1 confirmed that the bank uses a suggestion scheme as part of HR practices to encourage corporate entrepreneurship and the scheme has been implemented with a lot of success.

The implementation of the suggestion scheme used a bottom up strategy. The HR Manager of Bank 1 explained that it is not only frontline to middle level employees that are encouraged to come up with new ideas but that it is important for higher level employees as well. He said, employees regardless of level, use the suggestion scheme that is in place. Bank 1 HR Manager stated, “All employees are encouraged ‘to think outside the box’”.  

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Bank 2

The HR Manager of Bank 2 said “the bank is always receptive to something new and does not have to be something big or radical. We look for entrepreneurial behaviour because it is the belief of the bank that this strategy could suit its liquidity”. Additionally, he stated “all employees are also consumers and as such, these employees have extensive knowledge of new products in the market and know first if what the bank needs to do”.

The HR Manager of Bank 2 continued, “There is a lot of copying from international banks on new ideas and products that this bank adopts”. He also noted that entrepreneurship is not ‘aggressively followed’ because it all depends on the stage in the life cycle of the bank. Additionally, the banking culture is very conservative and Bank 2 looks at any kind of innovation very carefully.

Suggestion schemes
Bank 2 has implemented a suggestion scheme successfully. Bank 2 implemented the suggestion schemes by using a bottom up strategy.

The HR Manager of Bank 2 explained that it is not only frontline to middle level employees that are encouraged to come up with new ideas but that it is important for higher level employees as well. He said, all employees use the suggestion scheme that is in place.

The HR Manager of Bank 2 said, “Bank 2 allows and encourages brainstorming with the main focus to discuss ‘the craziest things’”.

Performance appraisals
Bank 2 HR Manager said that even though it is important, the concept of entrepreneurial behaviour is not evident in all performance evaluations. He said “it depends on the department when the bank evaluates the entrepreneurial behaviour of the employees. In departments like marketing or IT, it is the nature of the job to be innovative. On the other hand, when it comes to evaluating performance of
employees in the lending department, then innovation is not taken into account since it is not behaviour that management wants their employees to exhibit in the lending department”.

**Bank 3**

The HR Manager of Bank 3 said that corporate entrepreneurship comes in the form of market tactics, open products, changes in process and procedures; especially when the idea is about ‘cutting corners’ in Bank 3, employees tend to take a real initiative. Additionally, he explained that Bank 3 is informal and that this bank is not a rigid, hierarchical organisation like the bigger banks. He added “approximately five years ago, it would have been a different story because the culture then in Bank 3 was distinctly different and not so informal”. He admitted though that even though Bank 3 is informal, “there is still a persistent, traditional banking culture, especially among the front line employees, where it is still very controlling and where corporate entrepreneurial behaviour by employees is not given a lot of autonomy”.

**Suggestion schemes**

A suggestion scheme was put in place as part of HR practices to encourage corporate entrepreneurship and results indicate that it is a very successful scheme.

Bank 3 uses a bottom up strategy in implementing the suggestion scheme and all levels of employees are encouraged to use it. The HR Manager of Bank 3 added that it is very important for Bank 3 that all employees use it and that includes higher levels of management.

Additionally, the HR Manager (Bank 3) said there is a contest once a year for the best new ideas and suggestions. He introduced, as well, the concept of a “mystery shopper” who would try to catch the employees unawares and test employees on their knowledge of the bank. According to the HR Manager this strategy resulted in increased customer satisfaction and “kept employees on their toes”.
The HR Manager of Bank 3 added “our departments use quality circles” but he explained that it is not quality circles as usually defined, but a combination of meetings and brainstorming. He gave as an example, managers choosing employees from various departments and get the employees into meetings to brainstorm for new ideas around cutting costs, improving service and procedures; he found that these ‘quality circles’ were invaluable sources of information and ideas generation.

The HR Manager of Bank 3 explained that the bank concentrates on making sure that employees feel like they own the bank. Employees do not see the bank as a black hole – (with employees on the one side and the bankadministration on the other) - rather employees understand how the bank operates and what needs to be done.

**Bank 4**

Bank 4 HR Assistant Manager mentioned, “Corporate entrepreneurship is important for the viability of the bank” but added there is a lack of knowledge and training in corporate entrepreneurship within Bank 4.

**Suggestion schemes**

Bank 4 has a suggestion scheme but as the HR Assistant Manager mentioned “they are not formalised schemes and are rarely used by employees or employees are not really encouraged to use them”.

**Bank 5**

Bank 5 HR Manager stated, “We are in a competitive market and in this environment we try as a bank to establish ourselves. We try, as a bank, to invent products and techniques that are innovative and attractive to the customer; therefore corporate entrepreneurship is very important to us”. He added though, that in Bank 5 the marketing function is the one responsible for all new ideas and therefore, managers, including the HR manager, just follow the direction given by the marketing department.
Suggestion schemes
The HR Manager admitted that although Bank 5 has a suggestion scheme in place, it is only on paper and not used by employees or managers.

4.2.1.2 Marketing and Operations Managers’ responses to using HR practices to enhance CE

All ten managers said that corporate entrepreneurship is important for their bank.

Bank 1

The Operations Manager of Bank 1 said that corporate entrepreneurship is not ‘extremely’ important since Bank 1 copies a lot of the ideas from other banks abroad. He said, “managers have their eyes open, see the new things happening and try to implant the ideas in Bank 1; corporate entrepreneurship is more important to managers for the smaller things like new account types and simplification procedures”.

Suggestion schemes
Both the Marketing and Operations Manager of Bank 1 mentioned the implementation of suggestion schemes as very effective in their bank. The suggestion scheme is done electronically; the suggestions go to the HR department for evaluation. There is a special committee that evaluates these suggestions. The employees who implement the ideas get prizes, as well as the originators of the ideas that the committee deemed valuable.

Bank 2

The Marketing Manager of Bank 2 also said “we consider the organisational structure to encourage corporate entrepreneurial behaviour”. The Operations Manager also stated that the structure of the bank encourages corporate entrepreneurial behaviour. The two managers said that the structure in Bank 2 was not very hierarchical and employees had easy access to department heads and higher-level managers.

Suggestion schemes
The Marketing and Operations Managers of Bank 2 said the implementation of the suggestion scheme is very efficient and effective in Bank 2. The suggestion scheme is done electronically, the suggestions go to the HR department for evaluation but if the employees wanted they could write directly to the president of the bank. There is a special committee that evaluates these suggestions. The implementers of the ideas get prizes, as well as the originators of the ideas that the committee deemed valuable.

**Bank 3**

The Marketing Manager of Bank 3 stated, “Corporate entrepreneurship is a haphazard approach in Bank 3”. He added that it is not so much a formal corporate entrepreneurship environment as an informal network of bottom up new ideas.

The Marketing Manager of Bank 3 said, “The bank is relatively informal, with an open door policy where employees are encouraged to approach their supervisors and talk”. He added though that there is a persistent, traditional banking culture among front line employees, which still tends to be formal. Even though it is still a formal setting and most big projects are recommended by top management in Bank 3, he observed that the efficiency drive of the Bank 3 came from low to medium-level employees.

**Bank 4**

The Marketing Manager of Bank 4 stated that there is active management support for corporate entrepreneurship, agreeing with Bank 4 HR assistant manager, whereas the Operations Manager of Bank 4 said that management is merely ‘aware’ of corporate entrepreneurship and that CE is not that important. The Marketing and Operations Managers of Bank 4 also said that most of the ideas implemented in Bank 4 come from Greece.
Rewards
Lastly, the Marketing and Operations Managers of Bank 4 mentioned that rewards for ideas and evaluating personnel on their creativity are two HR practices used to encourage corporate entrepreneurship among employees.

Bank 5

The Operations and Marketing Managers of Bank 5 are of the view that the marketing function of the Bank 5 is responsible for all new ideas and that the Manager of the HR department should just follow the direction given by the marketing department.

Suggestion schemes
The Operations Manager of Bank 4 said that “we use a suggestion scheme but it is not a formally set system rather anybody with ideas can talk to their supervisor and the supervisors in turn send the idea to the HR department or sometimes the employees can talk directly with the HR department”. The Marketing Manager of Bank 4 mentioned, “Ideas come from all areas of the bank but being a small bank that means fewer ideas”.

4.2.2 Analysis of data
This section compares the results of the HR managers with the Marketing and Operations Managers and subsequently compares the data across the five cases. Finally, section 4.2.3 provides a summary of the findings for research question 1.

4.2.2.1 Comparing HR with Marketing/Operations managers’ results
Table 4.2 summarises the results of Questionnaire 1, which was given to all the managers of Bank 1, 2, 3, 4 and 5. It requires managers to rate statements in terms of importance on various factors, which can encourage corporate entrepreneurship in the bank. The table states how many HR and Marketing/Operations Managers agreed with the statements.
Table 4.2: HR and Mkting/Ops Managers agreement with statements

<table>
<thead>
<tr>
<th>Issues</th>
<th>HR Managers</th>
<th>Mkting and Ops Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is active management support for corporate entrepreneurship</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>New projects are judged by using learning strategies</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Bending rules, procedures and processes is in many situations acceptable</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>There is extra time available beyond the daily job duties</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Risk takers are encouraged and considered a positive attribute for the company</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Failure is accepted and viewed as a learning experience</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Employees are aware of and trained in corporate entrepreneurship</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Compensation rates are flexible and adjustable across the company</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Nearly all HR Managers (4 out of 5), as well as, Marketing and Operations Managers (8 out of 10) agreed that there is active management support for corporate entrepreneurship. All HR Managers agreed that new projects are judged mainly using learning strategies and most of the Marketing and Operations Managers (8 out of 10) also agreed with that statement.

In contrast, only two HR and two Marketing and Operations Managers agreed that bending rules, procedures and processes is in many situations acceptable, which implies eleven managers considered their banks rules, procedures and processes rigid. Even though most said that rigid rules are a detriment to corporate entrepreneurial behaviour, it was one barrier that most managers found acceptable due to the sensitive nature of work that banks perform. The established rules and procedures provide them with a sense of security when contacting any banking operation.
There was a difference of opinion in regard to extra time afforded between HR and Marketing and Operations Managers. Only two HR Managers agreed that extra time is available beyond daily job duties, whereas, a large number, seven out of ten Marketing and Operations Managers agreed with that statement. Extra time for various projects is provided but that is only due to the nature of the employees’ job because he or she is dealing with marketing projects, which do require extra time.

Only two HR Managers and four Marketing and Operations Managers stated that risk takers are encouraged and considered a positive attribute for the bank; the remaining nine managers believed that risk takers are not supported in the bank. Interestingly enough, ten managers (3 HR and 7 Marketing and Operations Managers) agreed that failure is accepted and viewed as a learning experience and as stated above, nine managers believed that risk takers are not supported in the company.

Ten managers (4 HR and 6 Marketing and Operations) agreed that employees are aware of and trained in corporate entrepreneurship. Only one HR Manager stated that there is a lack of knowledge and training in corporate entrepreneurship.

Lastly, all managers except one Operations Manager supported the view that compensation rates are uniform across the banks and only the one manager supported that compensation rates are flexible and adjustable across the banks. The same Operations Manager however stated during his interview that the compensation system is uniform across the bank. This is consistent with the information supplied by all managers and the collective agreements with the union. The difference in the response may be because the Operations Manager made an error while filling out the questionnaire and then rectified it during the interview.

4.2.2.2 Comparing data across cases

Table 4.2a summarises the results of Questionnaire 1 across the banks, taking into consideration the results from all the managers. It requires managers to rate statements in terms of importance on various factors, which can encourage corporate entrepreneurship in the bank. The table states how many managers from the five banks agreed with the statements.
Table 4.2a: Agreements to statements across banks

<table>
<thead>
<tr>
<th>Issues</th>
<th>Bank 1</th>
<th>Bank 2</th>
<th>Bank 3</th>
<th>Bank 4</th>
<th>Bank 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is active management support for corporate entrepreneurship</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>New projects are judged by using learning strategies</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Bending rules, procedures and processes is in many situations acceptable</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>There is extra time available beyond the daily job duties</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Risk takers are encouraged and considered a positive attribute for the company</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Failure is accepted and viewed as a learning experience</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Employees are aware of and trained in corporate entrepreneurship</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Compensation rates are flexible and adjustable across the company</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The questionnaire results confirmed that there is active management support for corporate entrepreneurship in all the banks, as well as all banks using learning strategies to judge new projects. The managers of all five banks, regardless of size, agreed to the importance of supporting and enhancing corporate entrepreneurship.

Only Bank 3’s managers were of the view that bending rules, procedures and processes is acceptable in many situations, whereas all the other managers disagreed. The interview results reveal that even Bank 3 managers rarely bend rules, procedures and processes and if they do, only for particular circumstances, which do not affect the bank but just a small part of it.

All managers believed that extra time is afforded to employees beyond their daily job duties, except for the responses from Bank 4. The interview results indicated that actually none of the managers really believed that extra time is afforded for corporate
entrepreneurship. In fact, most of the managers argued the opposite, that there is not enough time to spend on corporate entrepreneurial behaviour. The only managers that partially agreed with the statement during their interview, were the Marketing Managers of the four banks who argued that it is actually a requirement of their employees’ job in the marketing department to spend time on corporate entrepreneurial behaviour.

Mostly Bank 3 and Bank 4 managers stated that risk takers are encouraged and considered a positive attribute for the company. These were the two banks that were going through reengineering and trying to increase their market share respectively and thus needed more risk takers than the conservative type that fit the status quo of the established larger banks.

Although most of the managers stated in their questionnaire that they accepted failure and viewed it as a learning experience, their interview results were the exact opposite. They claimed that due to the organisational culture and nature of the activities of the bank, failure was not accepted rather employees that failed were ostracised. They did admit that they learned from mistakes and viewed failure as a learning experience but the employees responsible for the failure were still punished.

All Bank 2 managers stated that there is training on corporate entrepreneurship and the questionnaire results confirmed their statements. The other managers had differing views. Bank 3 also confirmed that training on corporate entrepreneurship is provided in their bank especially since they believe it was vital for the success of their reengineering project. Bank 5 managers also said that training was provided but that was contradicted by their interview results where they stated that although corporate entrepreneurship is deemed important, there is still no formal use of it within the bank. They added that there is no training on corporate entrepreneurship within Bank 5.

Lastly, only one manager agreed that compensation rates are flexible but the same manager explained during the interview that compensation rates are uniform across
the banks, which is in line with the responses of all other managers from the questionnaire and interview results.

4.2.3 Summary of findings for Research Question 1

The most important factors identified by HR, Marketing and Operations Managers for research question 1 are:

- Corporate entrepreneurship is important for the success of banks.
- There is often copying of new ideas and process from international banks.
- Traditional banking culture tends to constrain corporate entrepreneurial behaviour.
- Suggestion schemes are used as part of the HR practices to encourage corporate entrepreneurship.
- New ideas and suggestions are rewarded but if they fail then employees may not be taken seriously again or they may be ostracised to a less favourable position.

4.3 Research Question 2

The second research question enquires on how effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?

A summary of the data pertaining to this question for each of the cases can be found in appendix 4.1 to 4.5, where the five cases are presented. The current section discusses the overall findings from cross-case analysis. First, it looks at the results from the HR Managers interview regarding HRM effectiveness in enhancing corporate entrepreneurial activity and discusses the responses to questionnaire 2 (given only to the HR Managers) summarised in Table 4.3. Subsequently, it looks at the results of the Marketing and Operations Managers interviews. A comparison of the results of the HR Managers with the Marketing and Operations Managers is presented, as well as comparing the data across the five cases. Lastly, a summary of the findings of research question 2 is provided.
4.3.1 Results from data collection about HRM effectiveness in enhancing corporate entrepreneurship.

The following sections report on the results obtained from research question 2. It describes the HR, Marketing and Operations Manager’s views and briefly presents the results of the questionnaire.

4.3.1.1 HR Managers’ responses to the effectiveness of HR practices in encouraging CE in Cypriot banks.

Suggestion schemes
Three of the HR Managers of Bank 1, 2 and 3 mentioned that the suggestion scheme programme they have in place tends to be effective for corporate entrepreneurship, as it is an outlet for employees of all levels to put forth their ideas.

Official approval required/Implementing new ideas
Four of the five HR Managers interviewed stated that new ideas and suggestions are not implemented without official approval. The HR Managers of the smaller banks (Bank 4, 5) were adamant that nothing goes through without the official management’s seal of approval. The HR assistant manager of Bank 4 said, “I want all the ideas to go through my department for approval so as to show who came up with the idea, and if that idea is implemented then the right person would get the credit”.

On the other hand, the HR Manager of Bank 3 admitted that some ideas get implemented without official approval. The HR Managers of Bank 1 and Bank 2 (two larger banks) also admitted that some ideas do get implemented without official approval but explained that this happens only if the ideas do not play any major or strategic role in the bank. If the ideas are only about minor departmental level changes or are still in the experimentation stage, then they might get implemented without official approval.

Recruitment and Selection
Only the HR Manager of Bank 1 mentioned recruitment and selection. He said that during recruitment and selection, Bank 1 looks for people with competencies in innovation but ends up selecting people that fit in with the ‘banker mentality’, which
tends to be conservative. The HR Manager stated, “Although we want people with fresh ideas we will not hire anyone that does not fit in with our way of thinking; individuals who could be rebels are not hired”.

Performance Management
All HR managers mentioned performance management as an effective HR practice for corporate entrepreneurship. Bank 3 HR Manager said, “apart from team and branch performance we have what we call as the ‘individual incentive programme’, which is a personal incentives programme. In this case the bank gives bonuses in terms of a point system where employees can exchange the points for goods and services. It is like rewarding employees for taking part in the suggestion scheme in their performance appraisal”.

Although the HR Manager of Bank 5 responded to the question in the context of marketing strategy, rather than effective HR practices in encouraging corporate entrepreneurship, with added prompting he mentioned performance appraisals as being very effective in Bank 5. He explained, “They do not call them performance appraisals but a Performance Management System. This system does not evaluate employees (scoring point, suggestions and critiques) but rather deals with the development side of the employee. The Performance Management System is thus construed to include elements of what employees see and hear in the day-to-day activities of the bank to make it more productive and profitable”. He continued saying that “an element of innovation is included in the Performance Management System”, clarifying that employees fill out the performance management systems forms recommending what the bank needs to or should do and whether they need to be trained on that issue. Performance appraisal takes place not just once a year but every 3 months. There are meetings with supervisors where employees discuss ideas. There are also pan-Cyprian meetings were people from all over Cyprus come together to promote their ideas. He concluded, “Usually the employees that come up with the ideas are the ones that are trained in implementing the ideas”.

Bank 2 HR Manager stated that “the performance appraisal system is designed to set goals for training and to get employees to be effective and efficient for the future
rather than just evaluating past performance. Employees are given ways to improve their efficiency and often this is put in terms of entrepreneurial activity. The performance appraisal system used is a 360-degree feedback system, getting information from a variety of sources, such as the department manager, direct supervisor and employee self-evaluation”.

Training
Three HR Managers (Bank 1, 2 and 5) stated that training tends to be effective in their banks. The HR Manager of Bank 2 said, “We are quite proud of our training efforts. Training plays an important role in the success of the bank. Specifically training in corporate entrepreneurship is very important and apart from the in-house training provided, there is additional outside training by expert consultants. Training is conducted with simulation programmes, which have been successful”.

The HR Manager of Bank 2 said, “the department is not content to train for training’s sake; we focus on the results”. He stated, that there are mechanisms in place to evaluate the results of training. Bank 2 is the only bank that stated that it provided training explicitly for corporate entrepreneurship. The other two HR Managers (Bank 1 and 5) mentioned training only in relation to new ideas adopted from international banks. The HR Manager of Bank 5 said that in his bank the “HR personnel are often sent abroad (to Greece) for training and the ideas from the Greek market are often adopted by Bank 5”.

Rewards
All HR Managers, except for the HR Manager of Bank 3, mentioned rewards as effective for enhancing corporate entrepreneurship. Bank 5 HR Manager said, “There is no flexibility in the compensation practices of the bank and Bank 5 does not have a lot of latitude for providing extrinsic motivation, therefore, managers try to use intrinsic motivation like awards and recognition to employees”.

The HR Manager of Bank 2 explained that the “The staff suggestion scheme committee, which also encourages staff to provide ideas, evaluates employees and rewards the successful originator of the idea”. As well as the suggestion scheme
system, there is also a reward system where once a year the most profitable ideas are rewarded. This is considered very important for the management of the bank. Rewards would include trips, overnight accommodations and commemorative plaques”. He gave as an example, the effectiveness of rewards, and the managing for value scheme, which the management of Bank 2 put forth. He said, “A couple of years ago, management put forward the Managing for value scheme – which was given a big push throughout the bank. Employees were trained in corporate entrepreneurship and were asked to identify all the entrepreneurial activities and the value they added to the organisation. If it does add value then the employees are rewarded. Entrepreneurial activities that add value are rewarded once a month and there is also a yearly award”.

4.3.1.2 Marketing and Operations Managers’ responses to the effectiveness of HR practices in encouraging CE in Cypriot banks.

Suggestion schemes
All of the Marketing and Operations Managers, except the managers of Bank 5, mentioned the effectiveness of the suggestion schemes. The Marketing Manager of Bank 1 discussed the marketing department’s role in the suggestion scheme saying “the marketing department thinks of new products all the time. Actually, the support staff (employees of the marketing department) have as their main task to look for new things”. The Marketing Manager of Bank 4 also mentioned his department’s goal to come up with new ideas. Additionally, the Marketing Manager of Bank 2 said “the suggestion scheme is quite successful with many ideas, hundreds of ideas, being suggested and approximately two to three of those ideas were implemented in the previous six months”.

Official approval required
The Marketing and Operations Managers of Bank 4 were quite adamant that nothing goes through without official approval and one of them saying that, “being a small bank these issues could be misconstrued”. Interestingly, both the Marketing and Operations Managers of Bank 2 and 3, suggested that some ideas might get implemented without official approval although they did admit that this is not often the case.
The Marketing Manager of Bank 3 said “it is not a conscious evasion rather it deals with issues that are not too sensitive and therefore, do not require official approval. When it is a routine matter and we change to save money, why ask for anybody’s approval if the result is positive?” In addition, experimenting with various ideas and procedures is also often implemented without official approval as it is still in the experimentation stage. The Operations Manager of Bank 2 on the other hand, said “within departments new ideas are implemented without official approval, especially when it has to do with entrepreneurial mentality, which is encouraged by the bank, but a new idea which requires cross-departmental change has to go through the official channels”.

The Operations Manager of Bank 1 mentioned, “None of the ideas get to the implementation stage without official approval. However, unofficially, the departments can try out some new things within their areas”.

**Training**

As far as training is concerned, the Marketing Manager of Bank 5 declared, “When the marketing department decides on which products to develop and market them, then the training department is notified. The HR department is then responsible to develop a training programme that trains front line employees and upwards”. The Operations Manager of Bank 5 also took the question in the context of the marketing strategy and reiterated that the marketing department informs the HR department in the matter of training.

**Performance appraisal**

Most of the Marketing and Operations Managers mentioned the performance appraisal system as an effective HR practice for corporate entrepreneurship, except the managers of Bank 5 and the Operations Manager of Bank 1.

Also, both the Marketing and Operations Managers of Bank 2 included the performance appraisal system in their effective HR practices to enhance corporate entrepreneurship. The Operations Manager said, “The system is designed to set goals
for training and to get employees to be effective and efficient for the future rather than just evaluating past performance. Employees are given ways to improve their efficiency and often this is put in terms of entrepreneurial activity. The performance appraisal system used is a 360-degree feedback system, getting information from a variety of sources, from the department manager, direct supervisor and employee self-evaluation.”

Lastly, the Marketing and Operations Managers of Bank 5 briefly introduced performance appraisals where the Operation Manager said, “Bank 5 never focuses more on the results than the processes”. Both managers restated that for Bank 5, the processes are as important as the results and it is important to have a plan and follow the procedures and practices of the bank rigidly.

**Reward and feedback system**

The Marketing Manager of Bank 1 briefly discussed the reward and feedback system as being effective but the practices do not have a very corporate entrepreneurial focus. He said that “the practices tend to be control oriented and do not go far enough to encourage the change to a more corporate entrepreneurial behaviour”. He was the only manager to mention that no extra time is afforded to employees during their work hours except to the retail and planning department because of the nature of their jobs.

**Teamwork**

Both the Marketing and Operations Managers of Bank 3 talked about the introduction of teamwork and explained that job performance is also measured by teamwork abilities. Furthermore, management assesses not only individual performance but also team and branch performance, thus creating a healthy competition among branches to be better and more innovative and to try out new things that will get the branch to be more productive and hence more profitable. Often the idea generators were given the responsibility for the implementation of the idea.
### 4.3.1.3 Results of Questionnaire 2 (HR Managers only)

Table 4.3 summarises the results of Questionnaire 2, which was geared solely towards the five HR Managers of Bank 1, 2, 3, 4 and 5. It looks at HR practices, which can encourage corporate entrepreneurship in the bank.

**Table 4.3: Questionnaire 2 results only HR Managers**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Detailed factor</th>
<th>Bank 1</th>
<th>Bank 2</th>
<th>Bank 3</th>
<th>Bank 4</th>
<th>Bank 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>-Engages in formal long-range planning</td>
<td>S/times</td>
<td>S/times</td>
<td>Always</td>
<td>Regularly</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-High employee involvement in hr planning</td>
<td>S/times</td>
<td>Rarely</td>
<td>Regularly</td>
<td>Always</td>
<td>Regularly</td>
</tr>
<tr>
<td></td>
<td>-Loosely written job descriptions</td>
<td>Rarely</td>
<td>Always</td>
<td>S/times</td>
<td>S/times</td>
<td>S/times</td>
</tr>
<tr>
<td></td>
<td>-Focus on results rather than processes</td>
<td>S/times</td>
<td>Regularly</td>
<td>Regularly</td>
<td>Never</td>
<td>Regularly</td>
</tr>
<tr>
<td>Recruit. &amp; Selection</td>
<td>-Company recruits from external sources</td>
<td>Rarely</td>
<td>Rarely</td>
<td>Rarely</td>
<td>Regularly</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Selection criteria are highly formalised</td>
<td>Always</td>
<td>Always</td>
<td>Regularly</td>
<td>Regularly</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Select individuals who are flexible &amp; adaptable</td>
<td>Always</td>
<td>Always</td>
<td>S/times</td>
<td>Always</td>
<td>Regularly</td>
</tr>
<tr>
<td>Training &amp; Develop.</td>
<td>-Continuous &amp; ongoing training</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Training is applicable to a broad range of job situations</td>
<td>Regularly</td>
<td>Regularly</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-High employee involvement in training &amp; development</td>
<td>S/times</td>
<td>Always</td>
<td>S/times</td>
<td>Always</td>
<td>Regularly</td>
</tr>
<tr>
<td></td>
<td>-Training focuses on individual knowledge requirements</td>
<td>S/times</td>
<td>Regularly</td>
<td>Regularly</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Perf. Appraisals</td>
<td>-Perf. appraisals encourage high employee involvement</td>
<td>Rarely</td>
<td>Always</td>
<td>Regularly</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Perf. appraisals include employee innovativeness</td>
<td>S/times</td>
<td>Regularly</td>
<td>Always</td>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Risk criteria are included in Perf. appraisals</td>
<td>S/times</td>
<td>Regularly</td>
<td>Regularly</td>
<td>S/times</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Appraisals emphasize results rather than methods</td>
<td>Rarely</td>
<td>Regularly</td>
<td>S/times</td>
<td>Never</td>
<td>Always</td>
</tr>
<tr>
<td></td>
<td>-Appraisal systems reflect a tolerance of failure</td>
<td>S/times</td>
<td>S/times</td>
<td>Always</td>
<td>Regularly</td>
<td>Always</td>
</tr>
<tr>
<td>Compens./Rewards</td>
<td>-Flexibility in compensation practices of the bank</td>
<td>S/times</td>
<td>Rarely</td>
<td>Always</td>
<td>S/times</td>
<td>Never</td>
</tr>
<tr>
<td></td>
<td>-Employees participate in comp/rewards of the bank</td>
<td>Rarely</td>
<td>Rarely</td>
<td>Regularly</td>
<td>Never</td>
<td>S/times</td>
</tr>
<tr>
<td></td>
<td>-Rewards are based on incentives</td>
<td>Rarely</td>
<td>S/times</td>
<td>Regularly</td>
<td>Never</td>
<td>Never</td>
</tr>
<tr>
<td></td>
<td>-Individual incentives are balanced by rewards linked to group performance</td>
<td>Rarely</td>
<td>Rarely</td>
<td>Always</td>
<td>Rarely</td>
<td>Never</td>
</tr>
<tr>
<td></td>
<td>-Rewards are linked to group performance over longer periods of time</td>
<td>Never</td>
<td>Rarely</td>
<td>Always</td>
<td>Rarely</td>
<td>Never</td>
</tr>
</tbody>
</table>
Planning

All banks are engaged in HR planning although the two largest banks, Bank 1 and 2 respectively, sometimes and rarely involved employees in HR planning. Additionally, Bank 1 rarely used loosely written job descriptions. Lastly, only Bank 4, one of the smallest banks, said that they never focus on results but on processes.

Recruitment and Selection

All banks agreed on most of the selection and recruitment factors. They conceded that selection criteria are highly formalised and they select individuals who are flexible and adaptable.

There were differing opinions as to the recruitment method. The three largest banks (Bank1, 2 and 3) stated that they rarely recruited from external sources whereas Banks 4 and 5 respectively said they regularly and always recruited from external sources. The smaller banks are often seeking to recruit personnel that will help their companies grow and be profitable and they often look at external sources. The bigger banks consider themselves overstaffed and have stopped looking to recruit externally or internally for the past five years.

Training and Development

In this HR function there was complete agreement amongst the banks. They all stated that banks engage in continuous and ongoing training, as well as applying training to a broad range of job situations. Additionally, there is high employee involvement in training and development and training often focuses on individual knowledge requirements.

Performance Appraisals

Most of the banks agreed with the statements except Bank 1 and Bank 4, which stated that rarely, and never do appraisals emphasize results rather than methods. In addition, Bank 1 also said that the bank rarely encourages high employee involvement in performance appraisals. This response was contradicted during his interview. He explained that they try to use a 360-degree performance appraisal and employees are
involved in the process. An explanation for the contradictory answer could be that he understood the statement within a different context.

Compensation/Rewards
This was the only HR function were there were vastly different views on the HR practices. It is particularly interesting since compensation and rewards are also governed by union negotiations and contracts.

Bank 3 stated that there is always flexibility in the compensation practices of the bank and Banks 1 and 4 said sometimes there is flexibility. Bank 2 and Bank 5 disagreed and said there is rarely and never any flexibility in the compensation practices of their banks. Through their interviews it was understood that when speaking about compensation and rewards, the managers separated them into two issues. One applied to the actual monthly paycheck and the other issue was about rewards such as free accommodation, trips and weekends away. In issue one, the monthly paycheck, there is no flexibility whereas in issue two, the rewards, the banks have some flexibility as to the amount and type of rewards they may give.

Only Bank 3 stated that employees regularly participate in compensation and rewards of the bank. The remaining banks answered rarely and never, apart from Bank 5, which said sometimes. The two larger banks (Bank 1 and 2) confirmed that employee participation is rare whereas the two smaller banks (Bank 4 and 5) said never and sometimes, although, Bank 5 was quite adamant during the interview that employees are not involved in the compensation process but unions are and which they consider as an inhibitor to corporate entrepreneurship.

The two smaller banks (Bank 4 and 5) stated that rewards in their banks are never based on incentive, like for example stock options or profit sharing. The remaining banks answered rarely, sometimes and regularly. Bank 3 answered regularly and it was explained during the interview process that since it was going through a reengineering process they found these types of rewards motivational for employees. The two larger banks are more reluctant to use these types of rewards as the stock
market is highly volatile in Cyprus and the employees do not consider it as much of an incentive.

Lastly, the two larger banks (Bank 1 and 2) and the two smaller banks (Bank 4 and 5) agreed that they rarely balance individual incentives by rewards linked to group performance; and they never or rarely link rewards to group performance over longer periods of time. Only the medium sized bank (Bank 3) said they always link rewards to group performance and over longer periods of time. Again, this can be explained since Bank 3 is the only bank going through a reengineering process.

4.3.2 Analysis of data

This section compares the results of the HR managers with the Marketing and Operations managers and subsequently compares the data across the five cases. Finally, section 4.3.3 provides a summary of the findings for research question 2.

4.3.2.1 Comparing HR with Marketing/Operations Managers results

Suggestion schemes
The opinions of the managers in relation to suggestion schemes differed. All managers of Bank 1, 2 and 3 agreed on the effectiveness of their suggestion schemes for enhancing corporate entrepreneurial behaviour. The HR Managers of Bank 4 and 5, as well as the Marketing and Operations Managers of Bank 5 mentioned suggestion schemes but for them it was just a formality on paper, not actually implemented. For these four managers the importance was in reducing costs and doing their job efficiently and although they realised the importance of corporate entrepreneurship and ultimately of the suggestion schemes, they continued to pay attention to the day-to-day activities and management operations.

Official approval required.
The views of the managers in regards to the requirement of official approval for new ideas were similar. All managers stated that new ideas or suggestions are not implemented without official approval. The HR and Marketing Manager of Bank 3 did admit that sometimes when ideas or suggestions are not too sensitive and do not
affect the whole of the bank, they may be implemented without requiring official approval.

Performance Management
All of the managers mentioned the performance management (performance appraisal) system as an effective HR practice for corporate entrepreneurship, except for the Marketing and Operations Managers of Bank 5 who continuously took the interview session in terms of marketing strategy and not corporate entrepreneurship.

Training
All managers stated in one way or another that training was considered an important HR practice but some added not necessarily training in corporate entrepreneurship. The only managers that had difficulty in training were the managers of Bank 5 who continued to understand the questions solely in the context of a marketing strategy. The questions were clarified and then the managers, including the HR Manager of Bank 5, confirmed the importance of training for corporate entrepreneurship.

Rewards
All HR Managers, except for the HR Manager of Bank 3, mentioned rewards as being effective tools for enhancing corporate entrepreneurship. The HR Manager of Bank 3 mentioned rewards but only briefly. In contrast, none of the Marketing or Operations Managers mentioned rewards as being effective, they were more interested in teamwork, training and particularly about official approvals. The only Marketing Manager (Bank 1) who talked about rewards confirmed that rewards were effective but that they did not have a very corporate entrepreneurial focus but were rather control oriented.

4.3.2.2 Comparing data across cases

Suggestion schemes
All bank managers recognised the importance of having suggestion schemes in place to encourage corporate entrepreneurship. Although all managers recognised the significance of suggestion schemes only the three largest banks (Bank 1, 2 and 3) had implemented a suggestion scheme effectively and considered it as part of their
entrepreneurial strategy. In contrast, the smaller banks had a suggestion scheme in place but only on paper.

Training
Regardless of size all bank managers confirmed the importance that training plays in the successful running of their companies. Only the managers of Bank 2 mentioned that they provided training geared towards corporate entrepreneurial behaviour in the bank.

4.3.3 Summary of findings for Research Question 2
The most important factors identified by HR, Marketing and Operations Managers for research question 2 are:

- Suggestion schemes implemented in the banks are effective.
- No new ideas or suggestions are implemented without official approval except in some cases when it is in the experimental stage or it deals with intradepartmental issues that do not affect the overall running of the bank.
- Performance management was viewed as an effective practice that encourages corporate entrepreneurship.
- Training and development in an ongoing continuous process for all the banks and considered very effective.
- Lastly, rewards (e.g. free accommodation, small case prizes, ceremonies etc) have also been identified as effective.

4.4 Research Question 3
The third research questions enquires what factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?

A summary of the data pertaining to this question for each of the cases can be found in appendix 4.1 to 4.5, where the five cases are presented. The current section discusses the overall findings from cross-case analysis. First, it looks at the results from the HR Managers interview. Subsequently, it looks at the results of the
Marketing and Operations Managers interview. A comparison of the results of the bank managers is provided, as well as comparing the data across the five cases. Lastly, a summary of the results of research question 3 is provided.

4.4.1 HR Managers’ response to factors that inhibit HRM practices in encouraging CE in Cyprus banks

4.4.1.1 Union restricting bank action

The HR Managers considered the labour union as a major inhibitor to encouraging corporate entrepreneurship in the banks.

High labour costs
The HR Managers stated that any changes they want to implement have to go through the union for approval. The weight of the collective agreements is a major constraint according to all HR Managers, as it does not provide monetary incentives to employees other than the ones stated in the collective agreements. They claim that the labour costs are therefore too high.

The HR Manager of Bank 3 said, “Labour costs are too high, 70% of the bank’s costs are labour costs. Everyone receives the same amount of salary whether employees are productive or not”.

Uniform compensation system
Additionally, having a uniform compensation system, which does not allow compensating employees according to their productivity and high performance levels, constricts corporate entrepreneurial behaviour within banks. This uniform compensation system does not allow for recognition of exceptional performance and tends to make employees ‘lazy’ in trying out new ideas as, whatever their performance, they will still be paid at the end of the month.

Although banks try to find other ways to recognize exceptional employee performance (e.g. free accommodation, free trips, award ceremonies, plaques handed in award ceremonies etc), banks are still restrained as to what constitutes adequate
reward. Management does not want to risk setting a precedent, which the union might be able to use to argue for improved general job conditions.

According to the HR Manager of Bank 2 “any changes that management wants to implement have to go through the union. There are restrictions to reward employees as salaries are set by collective agreements and no employer is allowed to pay more (give bonus) to rewards excellent performance”. Bank 4 HR assistant manager added “because of collective agreements salaries cannot be lowered for lack of performance and that is a major constraint in terms of monetary benefits for Bank 4”.

**Hiring part-time staff or outsourcing**

Bank 2 HR Manager stated “the union tends to be counter productive in Cyprus as it also does not allow the banks to hire part-timers or outsource some of its operations (except for specific departments, cleaning and maintenance, implemented in the 2004 collective agreement). The HR Managers of Bank 1 and 3 also mentioned they are not allowed to hire part-timers or outsource some functions and that makes it difficult for the banks to bring in new blood or a new perspective on how to conduct business.

**Overtime**

Within the framework of the trade union inhibiting corporate entrepreneurship, the HR Manager of Bank 5 reiterated “Unions do not allow overtime work since they consider overtime work to be negative for the employee. The union sometimes “raids” a bank to see if employees are still at work past the closing time (14:30). The union then forces their members to exit the company premises.

**Performance appraisals**

Another problem relating to the union concerns the content of performance appraisals: managers and supervisors are not allowed to include any quantitative data in the appraisals as the union opposed this because it exercises unnecessary pressure on their members. The HR Managers of Bank 1 and 2 are of the view that performance appraisals and performance targets tend to be general rather than specific.
Job security
Lastly, a consequence of the labour union is that the job security afforded to all bank employees is a major inhibitor to corporate entrepreneurship and a deterrent to productivity overall. The HR Manager insisted “since employees know that whatever they do, the bank cannot and will not make them redundant or fire them, a large number of employees take advantage of this and work to the bare minimum”.

4.4.1.2 Stagnant industry sector
All five HR Managers stated that in the last ten years the banks have not been expanding much, and hence have not hired any new employees. They found that, due to job security and uniform compensation practices, it is hard to get employees to perform as even talented employees with potential get demotivated. The HR Manager of Bank 1 claimed that “there is no demand for employees to perform and they need a lot of motivation”. Motivation of employees to perform is also an issue that the HR Manager of Bank 2 raised.

The HR Manager of Bank 2 went on to explain that “Banks have ‘over hired’ and now will not hire anymore”, so there is a limited supply of work and a limited supply of promotions, therefore employees just tend to do the minimum required effort”. He gave the example of 20 employees of about 25 years of age who have received their banking certificate and, according to the collective agreements, all of these employees have to immediately get a raise and move up a level in the hierarchy, regardless of their performance levels and even though those employees have not proven themselves yet; the Bank is forced to promote them. This can be demotivating to employees, he insisted, who have worked for longer in the company and who have proven themselves by consistently high performance ratings, work experience and seniority; the Bank however cannot promote all employees because there are only a certain number of promotions per year that the bank can afford to give. He explained, “My motto is that knowledge is not power rather the application of knowledge is power and although I respect the qualifications, I feel acquiring degrees should not automatically mean higher pay and a promotion within Bank 2”. He stated that multiple performance criteria should be employed in the performance management system of the bank.
Furthermore, the higher-level employees use their power to resist change and to thwart any new ideas employees come up with. Additionally, the HR Manager of Bank 2 said “some higher level employees and the union tend to see HR as a necessary evil and resist any ideas or changes that the department wants to implement”. The HR Manager claims “that if the extra rewards like trips and free accommodation have motivated employees to be entrepreneurial how much more entrepreneurial would the employees be if their job and in effect their pay was not secure?”

4.4.1.3 Banking culture

Another inhibitor identified by all HR Managers was the banking culture. The culture within banks is conservative and entrenched in the old ways of conducting business. The HR Manager of Bank 2 mentioned that, “Employees tend to stay within their comfort zone. The younger generation does make suggestions and tries to be entrepreneurial but employees of a certain age and level are reluctant to accept these new ideas and resist change. After a while, the corporate entrepreneurs tend to give up and become part of the culture resisting change”.

Bank 4 HR assistant manager said “there is a negative climate in Bank 4 as the bank adopted a ‘civil servant’ attitude. Many of the bank employees, even though a large number left with the early retirement scheme offered, have a negative attitude and do not want to accept change or change their perceptions”.

The HR Manager of Bank 3 continued with the banking culture saying that the ingrained culture within the bank ‘brainwashes’ employees and gets employees to follow procedures blindly. He explained, “Employees are thrown in a box and it becomes very hard to step out of the box. It becomes even more difficult as it needs very careful handling since the bank deals with people’s monies; management wants to encourage corporate entrepreneurship but not what they deem ‘reckless behaviour’; management is very careful in this respect as it would rather err on the side of conservatism than encourage employees to take all sorts of initiatives’’.
Punishing failure

Lastly, the HR Manager of Bank 2 mentioned that punishing failure is an inhibitor to corporate entrepreneurship. He said that “There is a tendency in the bank to ostracise employees that were in charge of projects that failed. This reduces the amount of risk and innovation an employee wants to take because of fear of being put aside (NOT losing the job though). If ideas are implemented badly or employees take unnecessary risks then one should punish the employee, showing due cause for taking those punishment measures. The bank as a whole wants to be seen as promoting corporate entrepreneurship and anything that changes the status quo in a small way is welcomed although what is yet to be accepted is changing the norms of the banking environment and changing banking culture”.

4.4.2 Marketing and Operations Managers’ responses to factors that inhibit HRM practices in encouraging CE in Cyprus banks.

4.4.2.1 Union restricting/constraint on bank action

All ten interviewees identified the labour union as a major inhibitor as well. The Marketing Manager of Bank 4 stated that, “The union is strong in Cyprus and gets into things that are none of the union’s concern”. Since all the personnel in the bank are unionised, he said employees cannot be made redundant or punished without going through the union first.

High labour costs

Additionally, the Operations Manager of Bank 4 said “salaries cannot be lowered because of lack of performance and that is a major cost for the bank”. The Operations Manager provided the example of a messenger - an employee who delivers internal mail, contracts and important papers between branches or to clients - who earns more than CYP 30,000 (≈AUD 90,000) per year but is not productive and his salary has been increasing through the years regardless of performance as a fixed annual raise is given to every employee. That is a major burden for the bank, he said as well as having messengers who earn more money than a manager. Due to the fact that the messenger has now been with the bank for many years and he is near retirement age
and although not productive, the bank still has to pay him a very high salary as the salary increases exponentially with years of service.

The Operations Manager of Bank 3 also stated “compensation is too high anyway and this does not allow Bank 3 much freedom in rewarding excellent performance since it is already ‘paying through the nose’”.

Job security
In addition to increasing salaries regardless of performance levels, all employees have job security which makes it difficult for management, according to the Marketing Manager of Bank 3 and Operations Manager of Bank 4, to motivate the employees to be more entrepreneurial because although employees cannot be fired if anything goes wrong, they are just not energised enough to come up with new ideas. Employees can only be dismissed in cases of gross misconduct, such as fraud, sabotage, leaking confidential information and stealing from the company.

The Marketing Manager of Bank 2 used as an example Maslow’s Hierarchy of Needs theory to explain the negative effect of job security. He said, “according to Maslow’s theory, people by nature seek something better, and so they can be intrinsically motivated. By providing employees with job security though, the employees are aware they do not need to strive for something better; the bank jobs are secure and thus employees are not motivated to perform better”.

All ten managers provided feedback that the fact that managers cannot punish an employee for poor performance or for being unproductive is a major constraint for corporate entrepreneurship and for the whole of the bank. Many employees do not work to normal work standards because employees know their job is secure no matter what. Today in Cyprus banks any level of performance regardless of how good or bad is always compensated and always compensated the same. The interviewees collectively believe that removing job security would make employees try harder and be more entrepreneurial.
As far as promotions are concerned the managers are of the view that they can and do recognise entrepreneurial performance with promotions but although employees are ‘hungry’ for this recognition, promotions are few. The banks in Cyprus have not been hiring new employees in the last five years due to over hiring in the past.

Bank 3 managers (Marketing and Operations) admit that their bank needs newcomers but cannot afford to hire any because Bank 3 has an employee surplus with very few employees retiring in the near future. They explained that a large number of employees are at senior levels and are well-compensated adding economic burdens on the bank. Furthermore, the bank is not allowed to hire part-timers or casuals. The Marketing Manager stated that “even if we could force some employees to take early retirement or try to make employees redundant, there is a clause in the bank’s collective agreements that does not allow the bank to hire anybody for those positions for the next two years. The union is very strict in enforcing the contracts”.

In addition, the Operations Manager also talked about the provident fund set by the collective agreement. He said that, “The difference between Cypriots and most Europeans banks is that the Cypriot provident funds are a defined benefit, that is, when the employees retire they receive a fixed sum. The retirement benefits employees receive are based on the years of employment. It is a ratio of the average of the last 36 monthly gross salaries (excluding 13th salary) times the years of employment factor set by the collective agreements. The European provident funds however, pay out to the employees the value of the provident fund on their retirement. For Cypriots it is a defined benefit, the bank employees receive this fixed sum regardless of the value of the fund at the time, it depends mostly on the years of employment and that is an enormous burden on the bank. Salaries are fixed and are increasing as inflation goes up (COLA – cost of living adjustment is given every six months) as well as fixed salary increases set by the collective agreements”.

**4.4.2.2 Banking culture**

Lastly, another inhibitor identified by all ten managers was the organisational culture. The two managers (Marketing and Operations) of Bank 4 said that even though they
have tried to renew the staff, there are still a lot of older employees that affect the younger staff and resist change”.

The Marketing and Operations Managers of Bank 1 identified their culture as very hierarchical, not enough freedom or autonomy for employees. They claimed “Most employees start out expecting a certain degree of autonomy and responsibility but get discouraged when they actually experience the day-to-day operations and this stifles creativity. Employees therefore, tend to become conservative (adopting the bank’s culture) and follow all the rules and regulations. Management tries to change this system but the interviewees explained that this is a one hundred year old bank and it is very difficult for it to change”. The lack of freedom, which is part of the bank’s culture, has the bank avoiding anything risky since the bank’s rationale in dealing with money and lending would prefer that management err on the side of caution and control. One interviewee (Marketing Manager) stated that an employee may be a teller, a branch manager or working for the IT department but one is still a banker and that permeates a certain culture of conservatism. He said “we work in the marketing department but we are still first and foremost bankers and then marketers!”

4.4.3 Summary of findings for Research Question 3

The most important inhibitors identified by HR, Marketing and Operations Managers for research question 3 are:

- The labour union in general in Cyprus
  1. No changes can be made without notifying the union.
  2. Collective agreements constrain productivity through set salaries, not allowing banks to hire part-timers or outsource some operations.
  3. Job security is guaranteed within the banking industry.
  4. Salaries increase regardless of performance levels.

- Banking culture
  1. Conservative
  2. Risk averse
  3. Entrenched by older employees
4.5 Research Question 4

The last research question asks *what are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?*

A summary of the data pertaining to this question for each of the cases can be found in appendix 4 to 8, where the five cases are presented. The current section discusses the overall findings from cross-case analysis. First, it looks at the results from the HR Managers interview. Subsequently, it looks at the results of the Marketing and Operations Managers interview. A comparison of the bank managers’ views is provided. In addition, a comparison of the data across the five cases is included. Lastly, a summary of the results of research question 4 is provided.

4.5.1 HR Managers’ response to motivators (HRM) in enhancing corporate entrepreneurship in Cyprus banks.

**Attention to employees**

All HR Managers stated a number of motivators to enhance corporate entrepreneurship in Cyprus banks; all that is, except the HR Manager of Bank 5, who identified only attention to employees as a motivator. He said, “Visits from the HR department to various units in the bank to show people that HR cares and that HR is there for the employees, can help motivate people to be more entrepreneurial. Additionally, there should be interaction with all departments and perhaps schedule monthly meetings of the issues that come to HR”.

He added, as this is a small bank, it does not try to establish itself in the same field as their established competitors, that is in retail banking or gaining accounts, rather it tries to get people to come to Bank 5 because as a small bank it offers something different than other banks. He did not however, elaborate as to how Bank 5 tries to achieve that, apart from paying attention to the employees.

The HR Manager of Bank 1 also suggested that paying attention to young people and providing employees with challenging tasks can be a motivator for corporate entrepreneurship.
Rewards (Cash)
The remaining HR Managers identified rewards, or cash, as was suggested by the HR Managers of Banks 3 and 4. The HR Manager of Bank 3 indirectly said he believed monetary rewards would encourage their employees to be entrepreneurial. The HR assistant manager of Bank 4 went a step further and stated in no uncertain terms he believed “cash to be the only motivator for enhancing corporate entrepreneurship in Cyprus banks”. He continued saying, “The bank is one of the smallest banks and I admit that although management does have a suggestion scheme for employees to share their ideas, it is in name only and not actually used within the company. Additionally, the scheme is not something that Bank 4 encourages, rather management simply wants employees to do their job more efficiently and effectively and bring in new customers and accounts”.

The HR Managers of Banks 1 and 2 did not specify ‘cash’ as a motivator rather the overall compensation and rewards system. Bank 2 HR Manager said, “Another motivator is not to compensate uniformly, as specified in the collective agreements. One should be able to separate the exceptional employees from the average and the poor performers, therefore, Bank 2, needs to reward employees in various degrees”. The HR Manager of Bank 1 also claimed that a more flexible reward system would go a long way to encouraging corporate entrepreneurship.

Training
In addition to compensation and rewards, training was identified as an important HRM motivator. The three HR Managers of the major banks (Bank 1, 2 and 3) explained, providing training on corporate entrepreneurship, general training on creativity and how to spot future opportunities for the bank will motivate employees to be more entrepreneurial.

Recruitment and Selection
Lastly, a creative recruitment and selection system was identified as playing a major role in encouraging corporate entrepreneurship in banks. The HR Managers of Bank 1, 2 and 3 agreed that the banks could hire people who do not always fit the status quo
of the company and instead employ ‘movers and shakers’ who would be more receptive to becoming entrepreneurial within the bank.

4.5.2 Marketing and Operations Managers’ responses to motivators (HRM) in enhancing corporate entrepreneurship in Cyprus banks.

The results of the Marketing and Operations Managers were similar to the HR Managers with compensation, rewards and providing attention to employees identified as motivators; they have however, added to the motivator list.

Trust
The Marketing and Operations Managers stated that an important motivator in enhancing corporate entrepreneurship in the bank is trust. Trusting the employees, providing employees with autonomy and authority to perform their job is essential to motivating employees and providing them with self-confidence to be entrepreneurial. The Marketing Manager of Bank 3 said that “it is a self-fulfilling prophecy; if you believe in employees’ abilities and have faith in employees then employees are more than likely to succeed in their jobs. The bank should build a feeling of trust”.

IT Department
The Operations and Marketing Managers of Bank 5 both identified a good IT department as a motivator, explaining, that being abreast of new technologies means being a leader in the banking industry.

Cash
The Marketing Manager of the other small bank (Bank 4) unequivocally said “For this bank money talks and that is how we would get employees motivated to come up with new things, try new things and be flexible”.

Communication
Additionally, the Operations Manager of Bank 1 and Marketing Manager of Bank 1 are of the view that open communication is also essential in enhancing corporate entrepreneurship. It is important to have honest bottom-up and top-down communication. Providing feedback to the originators of the ideas is also very
important. There should be positive feedback to employees that exhibit entrepreneurial behaviour even though their ideas do not get implemented. Feedback and rewards should be given not only to the best ideas but to consistent entrepreneurial behaviour as well. Quality and quantity are important.

4.5.3 Summary of findings for Research Question 4

The most important motivators identified by HR, Marketing and Operations Managers for research question 4 are:

- Monetary motivators
  1. Cash was identified as a powerful motivator.

- Recruitment and Selection
  1. Creativity and innovation in recruitment and selection practices

- Training
  1. Providing training in corporate entrepreneurship and in general, a formal approach to training and development.
  2. Pay attention to employees.
  3. Good communication practices.
  4. Creating an environment of trust

- An effective and efficient IT department

4.7 Chapter Summary

This chapter analysed the findings for each of the research questions from the five banks studied. Research question one asked to what extent are banks in Cyprus using HRM practices known to encourage corporate entrepreneurship, based on a compilation of HRM practices and policies used in the banks. The second research question enquired as to the effectiveness of current HRM practices aimed at encouraging corporate entrepreneurship in Cypriot banks, with a view of examining the HRM practices that seem to apply and work in Cypriot banks. Research question three dealt with the factors that inhibited HRM practices in encouraging entrepreneurship. Lastly, the fourth research question enquired as to the most important HRM motivators in enhancing corporate entrepreneurship in Cyprus banks.
After each research question analysis, a summary of the findings for each question is provided.

Chapter five draws conclusions about each of the four research questions and the research problem; and outlines the implications for both theory and practice.
CHAPTER 5 – CONCLUSIONS AND IMPLICATIONS

Chapter 4 presented the research findings and cross-case analysis for each of the research questions, Chapter 5 now presents the conclusions for each of the research questions and the research problem. Implications of the research for both theory and practice are then discussed followed by an outline of limitations for this research. Finally, opportunities for further research are presented as well as some concluding remarks.

5.1 Conclusions about Research Question 1

Research question one dealt with the importance of corporate entrepreneurship in Cypriot banks and to what extent banks in Cyprus use HRM practices to encourage corporate entrepreneurship. The research question specifically asked:

To what extent are banks in Cyprus using HRM practices known to encourage corporate entrepreneurship?

This research question addresses the importance of corporate entrepreneurship in Cypriot banks and identifies the practices used in Cypriot banks to encourage corporate entrepreneurship.

Researchers have drawn attention to the human factor of organizations as perhaps the most important factor in the success of an established company (Pinchot, 2000; Porter, 2000; Covey, 2002). Additionally, treating the generation of ideas as a vital task, creating therefore an entrepreneurial culture for an established organization is a necessity for continued effectiveness and productivity for companies (Kanter, 1985; Kuratko et al., 1993; Covin & Miles, 1999; Birkinshaw, 2000; Birkinshaw & Hagstrom, 2000). The results from the five cases undertaken during this research show that having corporate entrepreneurial behaviour within the banks was of substantial value to all five Cypriot banks. Even though all five cases stated that corporate entrepreneurship is important to the success of their organization, the three
largest banks placed great emphasis on its value whereas, although the two smaller banks although considered corporate entrepreneurship an important element they chose to give priority to other issues of business, for example marketing, increasing sales and investments.

When deciding what human resource practices to use to link with corporate entrepreneurship, organisations can choose from five human resource practice types (Schuler, 1986; Schuler & Jackson, 1987). These practices are planning, recruitment and selection (staffing), training and development, performance appraisal and compensation (Schuler, 1986; Schuler & Jackson, 1987, Morris & Jones, 1993). The results of the questionnaire indicate some of the above-mentioned practices are used to encourage corporate entrepreneurship but the interview results clearly establish the use of suggestion schemes within the five cases as an effective practice. All managers supported the use of suggestion schemes as a practice to encourage corporate entrepreneurship and the schemes being part of the performance appraisal process.

5.2 Conclusions about Research Question 2

Research question two enquired as to the effectiveness of current HRM practices. Specifically, it asked:

How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?

The literature highlights the benefits of integrating human resource practices with corporate entrepreneurship (Schuler, 1986; Schuler & Jackson, 1987; Morris & Jones, 1993; Amabile, 1998; Chew & Chong, 1999; Kotter, 2001).

The results of the case studies support most of the literature on the effectiveness of human resource practices in enhancing corporate entrepreneurship. Planning, recruitment and selection and training and development have been identified as effective by the interviewees and consistent with supporting literature presented in
Chapter 3. Training and development practices within the five cases were established as the most effective human resource practice by all interviewees.

The remaining two human resource practices, performance appraisals and compensation, had different results compared to the other human resource practices. Performance appraisals encouraged employees’ involvement and included employee innovativeness as well as risk criteria (Kuratko et al., 1989, 1990; Morris & Jones, 1993, Amabile, 1998) and even though performance management was considered effective, one important aspect was not included and that is accepting failure. Tolerating and accepting failure is considered important for encouraging corporate entrepreneurship (Schuler, 1986; Kuratko et al., 1989, 1990; Morris & Jones, 1993, Amabile, 1998). This was one aspect that was not present in any of the banks’ performance appraisal system.

An important human resource practice for corporate entrepreneurship is a flexible and substantial compensation and reward system for corporate entrepreneurs (Schein, 1987; Balkin & Logan, 1988; Morris & Jones, 1993; Hamel, 1999). It is the one practice that was not considered effective within the five case studies, as they are required by union regulations to compensate uniformly regardless of performance. Therefore, compensation is not flexible and cannot be adjusted or increased to encourage entrepreneurial behaviour from bank employees. The three larger banks recognising the importance of the effectiveness of compensation on corporate entrepreneurial behaviour amongst its employees (Schuler, 1986; Morris & Jones, 1993; Hamel, 1999), attempted to improve their compensation practices, as much as the union would allow, by providing rewards such as free accommodation, small cash prizes and ceremonies for employees exhibiting entrepreneurial behaviour.

5.3 Conclusions about Research Question 3

Research question 3 considered the factors inhibiting HRM practices in Cypriot banks. Specifically, it asked:
What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cypriot banks?

This is one of the most important research questions, together with research question four, in this study, as it identifies factors inhibiting human resource practices from encouraging and enhancing corporate entrepreneurship in Cypriot banks.

Literature has consistently identified certain factors as inhibitors to corporate entrepreneurship. These factors could be the organisational structure, management, rewards and lack of resource availability (Kanter, 1985; Sathe, 1985; Schuler, 1986; Block & Sykes, 1989; Covin & Slevin, 1990; Kuratko et al., 1990, 1993; Amabile, 1998; Sadler, 2000).

Traditionally organisations depended on bureaucratic structures to ensure that work was completed efficiently and effectively by removing error and reinforcing conformity and obedience. These features however, inhibit an organisation’s capacity to foster entrepreneurship (Burgelman, 1983; Covin & Slevin, 1990; Sadler, 2000). There are different degrees of bureaucratisation, and the higher the degree, the greater the potential for conflict with entrepreneurial activities within a company (Morris & Jones, 1993). The case studies results confirmed the existing literature theories. An inhibitor identified was the traditional and rigid processes within the Cypriot banking system. By definition the organisations within this research are highly bureaucratic and risk averse. Most interviewees acknowledged that the banking culture itself often tends to be in conflict with entrepreneurial activities.

A major inhibitor identified within the Cypriot banking industry is the union. The weight of the union collective agreements is a major constraint for the banks. They greatly affect labour costs, compensation and rewards and time availability, all of which have been listed as inhibitors to corporate entrepreneurship.

All five banks compensate uniformly, which is an inhibitor to corporate entrepreneurship (Kanter, 1985; Kuratko et al., 1990, 1993; Sadler, 2000). This uniform compensation system, which is the same amongst all five banks, does not
recognise exceptional performance or entrepreneurial behaviour and tends to create ‘lazy’ employees with no new ideas, who will be compensated at the end of the month no matter what their performance.

Additionally, most of the interviewees explained that banks tend to penalise employees if projects fail and do not tolerate failure, which is not conducive to an entrepreneurial environment (Hisrich & Peters, 1986; Kuratko & Montagno, 1989; Amabile, 1998). In view of the fact that management cannot fire employees for failure as the union agreements guarantee job security, a culture observed is that employees are ostracised within the bank and not given the chance to take part in any other interesting or challenging projects.

Lastly, the issue of job security has created the greatest controversy in this research. Many authors considered job security a very important motivator for corporate entrepreneurship (Schuler, 1986; Morris & Jones, 1993; Hornsby et al., 1992, 1993, 1999; Amabile, 1998; Kuratko et al., 1989, 1993, 2001). However, all managers in varying degrees stated that guaranteed job security was for them an inhibitor to entrepreneurial behaviour. Research shows that fear of reprisals and lack of job security would prevent employees from exhibiting entrepreneurial behaviour whereas this study claims that job security creates an environment of complacency amongst employees who do not have to fear for their jobs no matter what their performance is. Figure 5.1 summarises all the inhibitors identified by the interviewees as constraining corporate entrepreneurial behaviour within the banking industry in Cyprus.

**Figure 5.1: Results on inhibitors to corporate entrepreneurship**

<table>
<thead>
<tr>
<th>Inhibitors of corporate entrepreneurship</th>
<th>Constrained corporate entrepreneurial behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureaucratic and rigid structure</td>
<td></td>
</tr>
<tr>
<td>Uniform compensation</td>
<td></td>
</tr>
<tr>
<td>Job security</td>
<td></td>
</tr>
<tr>
<td>Lack of tolerance for failure</td>
<td></td>
</tr>
<tr>
<td>Union (uniform compensation, labour costs, difficulty in implementing changes)</td>
<td></td>
</tr>
</tbody>
</table>
5.4 Conclusions about Research Question 4

The final research question looked at the most important motivators of HRM in Cyprus banks. Research question four specifically asked:

What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

This constitutes the other important research question, which identifies the motivators of corporate entrepreneurship in Cypriot banks. As with inhibitors, many authors discussed the factors that would act as motivators towards corporate entrepreneurial behaviour. The factors included having an organisational vision with entrepreneurial intent, providing autonomy to employees, having available resources, providing training and having a compensation and reward system (Schuler, 1986; Jones & Morris, 1995; Hornsby et al., 1992, 1999; Chew & Chong, 1999; Amabile, 1998; Kuratko et al., 1989, 1993, 2001). In essence a lot of the factors identified as motivators can be viewed as the exact opposite of the inhibitors identified in research question three.

The results of this research question are mostly consistent with the literature on the area of motivators. Most managers identified training and rewards as important motivators to corporate entrepreneurship. They clarified though that although prizes and recognition for innovative ideas are acceptable rewards they suggested that cash, therefore, a higher salary or bonus would act as a stronger motivator than anything else. The banking culture and union presence in compensation explains why cash rewards are considered the most important motivators. Paying attention to employees, a creative recruitment and selection system and trust have also been identified as motivators of corporate entrepreneurship.

The only point of divergence from the literature within this research question is again the matter of job security. Many authors researched the benefits of job security within an entrepreneurial environment of an established organisation. Organisations should avoid criticising employees for making mistakes when being entrepreneurial (Kuratko
et al., 1989, 1993) as well as minimising the fear of job loss if an entrepreneurial venture or idea does not succeed (Schuler 1986; Jones & Morris, 1995; Hornsby et al., 1999). Providing a secure workplace where there is no fear of reprisals for mistakes can be a strong motivating force for entrepreneurial behaviour (Kuratko et al., 2001). Nevertheless, this research indicates that job security tends to be counterproductive to corporate entrepreneurship. Not only does it not act as a motivator but also it is considered an inhibitor to entrepreneurial performance. The interviewees argue that job security creates complacency amongst employees who have no fear for their jobs regardless of their performance. They argue that job security is a motivator for ‘lazy’ employees who just adhere to the status quo and do not bother with coming up with new ideas for the effective and efficient performance of the banks.

Managers did clarify that employees exhibiting entrepreneurial behaviour were encouraged not by substantial rewards or promotion, as that would constitute a precedent with the union and management did not want that to happen, but by giving them challenging projects, by small rewards like ceremonies or free accommodation. Regardless of these incentives, a large number of employees were not motivated to be entrepreneurial and were satisfied to do the bare minimum.

5.5 Conclusions about the research problem

The problem addressed in this research was how can HRM practices support and encourage corporate entrepreneurship in the Cyprus banking industry.

Essentially this thesis argues that HRM practices and policies focus on supporting and encouraging corporate entrepreneurship in the Cypriot banking industry and that focus can help develop continuous improvement in the organisation. The research also proposes a list of inhibitors and motivators to corporate entrepreneurship.

Previously in this research inhibitors and motivators of corporate entrepreneurship were outlined. These are summarised in Figure 5.2 as being:
Figure 5.2: Inhibitors and Motivators of Corporate Entrepreneurship

<table>
<thead>
<tr>
<th>Inhibitors</th>
<th>Motivators</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Bureaucratic organisational structure</td>
<td>- Entrepreneurial vision</td>
</tr>
<tr>
<td>- Criticisms and fear of reprisals for errors</td>
<td>- Autonomy</td>
</tr>
<tr>
<td>- Risk aversion</td>
<td>- Tolerance of failure</td>
</tr>
<tr>
<td>- Lack of resource availability</td>
<td>- Training</td>
</tr>
<tr>
<td>- Compensation/Rewards</td>
<td>- Resource availability</td>
</tr>
<tr>
<td>- Job security</td>
<td>- Compensation/Rewards</td>
</tr>
</tbody>
</table>

This research has identified that similar factors act as inhibitors and motivators to corporate entrepreneurship as the literature suggests. The results summarised in Figure 5.2 support the previous research, however, it also indicates that the factor of job security is considered in this study as an inhibitor and not a motivator as many authors suggest. It is a strong possibility that the overall banking culture, which includes a very strong union presence, challenge the conclusions of previous research as to the effect of job security as a motivator. The focus of this study was on management responses only, further studies should look at employee responses as well.

5.6 Implications for theory

There is continued and growing interest in the use of corporate entrepreneurship as a means for corporations to enhance the innovative abilities of their employees and at the same time increase organisational competitiveness and success through the creation of new ideas (Pinchot, 1985; Kuratko & Montagno; 1989; Birkinshaw; 2000). One aspect that can enhance corporate entrepreneurship is the human resource component of an organisation (Kanter, 1985; Schuler, 1986).

This research has reviewed the above assertion by assessing the human resource practices for corporate entrepreneurship within an old, established and union controlled organisational context. Little, if any, qualitative research of this nature, aimed at identifying inhibitors and motivators of corporate entrepreneurship within the Cypriot banking industry, has previously been undertaken. Indeed, researchers...
have highlighted the inhibitors and motivators of various industries, such as manufacturing, schools, multinationals, but not of the banking industry. In addition, no evidence was found during the extensive literature review that research was undertaken in a banking industry that is one hundred percent unionised and thus greatly influenced and controlled by outside forces. The inhibitors and motivators identified in this research can be applicable to a range of organisations as they are similar to the inhibitors and motivators identified in the existing literature. Where theory diverges from the research results is in the matter of job security, which is in contrast with the current literature findings. It can be concluded that corporate entrepreneurship is important to mature organisations and inhibitors and motivators of entrepreneurship behaviour can be generalisable but in some industries where external forces may affect the running of the business, the general list of inhibitors and motivators may not apply. The overall contribution made to the field by answering each of the research questions is summarised in Table 5.1.

Table 5.1: Research questions, associated findings and contributions of the findings

<table>
<thead>
<tr>
<th>Research question</th>
<th>Finding</th>
<th>Made explicit in extant literature</th>
<th>Made explicit in this research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To what extent are banks in Cyprus using HRM practices known to encourage corporate entrepreneurship?</td>
<td>All banks, to various degrees, use HRM practices to encourage corporate entrepreneurship</td>
<td>Yes; current literature supports alignment of HRM practices with corporate entrepreneurship</td>
<td>Yes</td>
</tr>
<tr>
<td>2. How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?</td>
<td>Larger banks found HRM practices ‘very effective’, smaller banks ‘somewhat effective’</td>
<td>No; focus on other industries and not wholly unionised industries</td>
<td>Yes</td>
</tr>
<tr>
<td>3. What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cypriot banks?</td>
<td>See Figure 5.2</td>
<td>Yes; apart from job security</td>
<td>Yes</td>
</tr>
<tr>
<td>4. What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?</td>
<td>See Figure 5.2</td>
<td>Yes; apart from job security</td>
<td>Yes</td>
</tr>
</tbody>
</table>
5.7 Implications for policy and practice

The research has provided the banks involved with a framework of their organisational efforts in encouraging corporate entrepreneurship throughout the Cypriot banking system. It has allowed these organisations to review the practices enforced in enhancing corporate entrepreneurial behaviour. It would be reasonable to assume that the research findings could be of benefit to other mature organisations, of a variety of types and sizes, which are unionised, for use to improve their entrepreneurial endeavours.

The research conclusions can also be shown to be of use to banks as a means to aid in the learning of corporate entrepreneurial behaviour. The findings may also be used as an additional instrument in the set of tools of the management of banks who deal with union negotiations. However, with the entry to the European Union and the liberalisation of rules and regulations in the banking industry, the HRM practices used to encourage corporate entrepreneurship will also evolve as will the bank and union demand evolve and therefore, continuous research and updating may be required. For example, there has been currently little research on governmental and semi-governmental sectors that employ corporate entrepreneurship (Birkinshaw & Campbell, 2004; Tyrell, 2005) and it may prove an interesting area to research on corporate entrepreneurship especially linked with the inherent bureaucratic structures that these industries operate in.

5.8 Limitations

There are several limitations that should be considered when viewing this research. Principal among them are the limitations that relate to the more general limitations of case study research previously discussed in section 3.8. Primarily, the results for this research have been generated based on the five case studies involved in the fieldwork and therefore, they are only relevant for these cases and cannot be generalized across a broader population. The findings should be considered mostly illustrative because the data is from a single industry. Although the research is limited by its
retrospection, it has allowed for a thorough analysis of the banking industry in Cyprus.

There may also be bias introduced from the fact that all participating employees became involved in the research due to their need to learn more about and improve their corporate entrepreneurial behaviour. Additionally, only the management of the organisations participated which is only one arm of the organisation, not having researched the views of the other employees of the banks. To provide a thorough view of the practices of the organisations more levels of employees should have been consulted. The one sided aspect of the research, only bank management, may have influenced the research results.

An important contributor to the inhibitors and motivators to corporate entrepreneurship was the union. The research identifies the problems but further research should challenge the results by looking at the union side of the research problem. Additionally, the study researched the views of the management of the banking industry in Cyprus; further studies should look at the employee responses as well.

5.9 Implications for further research

This research was carried out using primarily a qualitative methodology. Further research adopting a quantitative research approach would be of benefit as it would mostly allow the inhibitors and motivators (Figure 5.2) to be tested for statistical generalisability. Researchers have recommended subsequent statistical testing following qualitative methodology (Perry, 1998).

Comprehensive research could also be undertaken by examining the other players in the banking industry, for example the union management, union employees and generally bank employees.
Researching other industries other than the banking industry could also be undertaken. Additionally, other countries and/or foreign banking industries could be researched and the results compared with the Cypriot banking industry.

Finally, the process undertaken in this research could be adopted by other researchers to investigate HRM practices used in encouraging corporate entrepreneurship in their countries or other industries.

5.10 Chapter Summary

Creating an entrepreneurial environment in a mature organisation is a capability of importance in an ever increasingly competitive, dynamic and global environment. Researching therefore, how to enhance and encourage entrepreneurial behaviour in organisations through using HRM practices would be of benefit to these organisations.

This research investigated how HRM practices and policies could encourage corporate entrepreneurship in the Cypriot banking industry. A primary outcome of the research is job security identified as an inhibitor to corporate entrepreneurship whereas the existing literature specifies job security as a motivator towards exhibiting corporate entrepreneurial behaviour. This gap identified can be explained by the unique situation faced in the banking industry of Cyprus, which is wholly unionised. The power of the union in affording every employee with job security regardless of performance is according to the management a deterrent to corporate entrepreneurship. Mild criticisms, specific types of punishment are the only tools management can use to turn around employees that are content with doing the absolute minimum required amount of work.

Implications for theory was discussed and includes a list of inhibitors and motivators to corporate entrepreneurship that can be and are applicable to a variety of organisations as the existing literature specifies, whereas it was concluded that according to the external forces affecting the organisations (unions, government regulations) the same inhibitors or motivators may not apply, on the contrary they
may have the opposite effect on corporate entrepreneurial behaviour in the organisations.
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APPENDICES
Introduction. Thank you taking the time to participate in this research project. My name is Cathrin Lazarou; I am currently enrolled in the Doctorate of Business Administration programme at Swinburne University of Technology, Australia. This thesis seeks a solution to how human resource practices can encourage and support Corporate Entrepreneurship in the Cyprus banking industry. The answers to the question would benefit Cypriot banks.

My primary areas of interest are the human resource practices that encourage corporate entrepreneurship and what factors would inhibit or motivate entrepreneurial activities in Cypriot banks.

All data collected in this interview is confidential and anonymous. To ensure this, no company or individual names will be used in the research. Any identifiable details will be disguised in the final report.

May I please tape record this interview, as it will assist me with my data analysis? If yes, please feel free to push the ‘Pause’ button of the recorder at any time of the interview. Please note that you may terminate the interview at any time if you so wish.
Do you have any further questions regarding the objective or procedure of this interview?

*In order to be able to discuss Corporate Entrepreneurship, I will define it up front.*

These are some aspects of Corporate Entrepreneurship:
- New businesses
- New products/services
- New organizational systems
- Renewal of procedures, processes
- Renewal of services

It basically encompasses acts of innovation, renewal, revitalization that occur within the bank.

*Some discussion will follow to make sure the interviewee understands the concept and to answer any questions that may arise.*

**Section 1**

*We have just discussed Corporate Entrepreneurship and its definition*

**Question 1:** In your view how important is Corporate Entrepreneurship in this organization and why?

*Ask what comes to mind of an innovative activity in the last few years, get the interviewee to give some examples.*

**Section 2:**

**Question 2:** What in your opinion are the current HR practices that are used to encourage entrepreneurial activities in the bank?

*Requires interviewee to list HR practices in the bank. If there is difficulty with the answer use following prompts: in areas of* - Recruitment & Selection
  - Training & Development
  - Performance Appraisal
If there is still no answer for Question 2 move to questions 3a-3d as CEO/Mkt/Ops managers are not required to know about HR practices in detail.

Question 3: How effective do you think these HR practices are?

The following questions are to get an idea of what the entrepreneurial activity is in the organization. I do not need precise answers from the HR managers or CEOs.

Q3a: Over the last say five years how many innovations in the bank come to mind? By innovation I mean in products/services/procedures etc.

*If no answer available I will use examples of known entrepreneurial activities like venturing in the insurance sector (new business), or the introduction of the new ‘wedding’ account (new products).*

Q3b: How many ideas were suggested in the last six months?

*If there is still difficulty then I will move to the next section. There is no need to get answers for these questions from the HR managers.*

Q3c: How many of these ideas were implemented?

Q3d: How many of these ideas were implemented without official organizational approval?

Q3e: What is the amount of time spent thinking about new work related ideas?

◆ QUESTIONNAIRE ON HR PRACTICES (only for HR managers)

Section 3

*We have looked at the HR practices, I would like to move on to what you believe inhibit them from being effective.*
Question 4: In your opinion, are there any inhibitors to the HR practices encouraging entrepreneurial activities in the bank? Please give some examples.

*I can use as prompt here the culture, legal system, procedures, unions of the Cypriot banking sector. Examples are a uniform compensation system, no room for working after hours if it is wanted.*

Question 5: Apart from the HR practices, what do you think are the major obstacles in supporting Corporate Entrepreneurship in your organization? And why?

*If the interviewee comes up with a list of inhibitors, I will ask him/her in their opinion, to name the three most important ones.*

♦ QUESTIONNAIRE ON INHIBITORS

Section 4

*Can we now examine the motivating factors for CE in the Cypriot banking industry?*

Question 6: What would you suggest as the most important HR motivators in improving Corporate Entrepreneurship in the bank?

Question 7: Lastly, what do you think will be the best ways of encouraging new ideas in your bank and in the Cypriot banking sector in general?

Section 5

Question 8: We have come to the end of the questions that I wanted to ask, is there something that you would like to ask or anything that you would like to add to this interview?

Thank you for your time and assistance.
APPENDIX 2 – QUESTIONNAIRE FOR HUMAN RESOURCE MANAGERS
Aligning Human Resource practices with Corporate Entrepreneurship

Part 1 – Human Resource Practices

Please indicate where your organization fits on each of the following dimensions by circling the appropriate number.

\[1= Never \quad 2= Rarely \quad 3= Sometimes \quad 4= Regularly \quad 5= Always\]

**PLANNING/JOB DESIGN**

This organization engages in formal long range human resource planning.  1 2 3 4 5

There is high employee involvement in human resource planning.  1 2 3 4 5

The bank uses loosely written job descriptions.  1 2 3 4 5

We focus on the results rather than the processes.  1 2 3 4 5

**RECRUITMENT & SELECTION**

The company recruits from external sources for candidates.  1 2 3 4 5

The selection criteria are highly formalized.  1 2 3 4 5

We recruit and select individuals who are flexible and tolerate uncertainty.  1 2 3 4 5

The staffing practices offer employees broad career paths and/or multiple career ladders.  1 2 3 4 5

**TRAINING & DEVELOPMENT**

There is continuous and ongoing training.  1 2 3 4 5

Training is applicable to a broad range of job situations.  1 2 3 4 5
1 = Never 2 = Rarely 3 = Sometimes 4 = Regularly 5 = Always

There is high employee involvement in training and development practices. 1 2 3 4 5

Training in the company focuses on individual knowledge requirements. 1 2 3 4 5

**PERFORMANCE APPRAISALS**

Performance Appraisals encourage high employee participation. 1 2 3 4 5

Performance Appraisals include employee innovativeness. 1 2 3 4 5

In Performance Appraisals the accomplishments of groups of individuals are recognized. 1 2 3 4 5

Performance Appraisals are conducted at intermittent and/or irregular time intervals. 1 2 3 4 5

Risk criteria are included in Performance Appraisals. 1 2 3 4 5

Appraisals emphasize outcomes rather than the methods employed to achieve those results. 1 2 3 4 5

Appraisal systems reflect a tolerance of failure. 1 2 3 4 5

**COMPENSATION/REWARDS**

There is flexibility in the compensation practices of the bank. 1 2 3 4 5

Employees participate in the compensation/reward practices of the company. 1 2 3 4 5

Rewards are based on incentives. (e.g. stock options, profit sharing) 1 2 3 4 5

There are significant financial rewards. 1 2 3 4 5

Individual incentives are balanced by rewards linked to group performance. 1 2 3 4 5
Rewards are linked to group performance over longer periods of time.

Part 2 – Personal Data

This information will NOT be used to identify you.

Q1 Please indicate the area of the organisation in which you work:
- Corporate Planning/Business Planning
- Human Resources
- Marketing
- Operations

Q2 Please indicate the number of years you have worked for the banking industry:
- Under 1 year
- More than 1, but less than 3 years
- More than 3, but less than 6 years
- More than 6, but less than 10 years
- More than 10 years

Q3 Which of the following education qualifications do you hold? (Please tick all appropriate boxes)
- Professional Diploma or Certificate
- Bachelor’s Degree
- Master’s Degree
- PhD
- Other (please specify)__________________________________________

THANK YOU FOR COMPLETING THE QUESTIONNAIRE
APPENDIX 3 – QUESTIONNAIRE FOR ALL MANAGERS

Aligning Human Resource practices with Corporate Entrepreneurship

Please indicate to what extent are the following important in your organization.

Management is aware of Corporate Entrepreneurship

<table>
<thead>
<tr>
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There is active management support for Corporate Entrepreneurship

New projects are judged mainly from prior experience

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New projects are judged using learning strategies

Rules, procedures and processes are rigid

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Bending rules, procedures and processes is in many situations acceptable

There is no extra time available beyond the daily job duties

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There is extra time available beyond the daily job duties

Risk takers are rejected in the company

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Risk takers are encouraged and considered a positive attribute for the company

Failure is not tolerated

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Failure is accepted and viewed as a learning experience

There is a lack of knowledge and training in Corp. Entrepreneurship

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Employees are aware of and trained in Corporate Entrepreneurship

The company promotes ‘compatible’ employees

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The company often promotes employees that are not within the status quo

Compensation rates are uniform across the company

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Compensation is flexible and adjustable to individuals

The company uses mainly extrinsic motivation (financial rewards, orders)

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The company uses mainly intrinsic motivation (motivated mainly by the interest, satisfaction and challenge of the job itself)
Personal Data

This information will NOT be used to identify you.

Q1 Please indicate the area of the organisation in which you work:
- Corporate Planning/Business Planning
- Human Resources
- Marketing
- Operations

Q2 Please indicate the number of years you have worked for this organization:
- Under 1 year
- More than 1, but less than 3 years
- More than 3, but less than 6 years
- More than 6, but less than 10 years
- More than 10 years

Q3 Which of the following education qualifications do you hold?
(Please tick all appropriate boxes)
- Professional Diploma or Certificate
- Bachelor's Degree
- Master's Degree
- PhD
- Other (please specify)________________________________________

THANK YOU FOR COMPLETING THE QUESTIONNAIRE
APPENDIX 4 - BANK 1 SINGLE CASE ANALYSIS SUMMARY

This single case analysis focuses on Bank 1. First, general information about Bank 1 is summarized. Then, Bank 1 results for each of the four research questions are provided; these results are based on data collected about Bank 1 only.

BANK 1: GENERAL INFORMATION

The Bank: Bank 1 is one of two largest banks in Cyprus. It has over 7000 employees worldwide and operates in England, Australia, Greece and Russia. More information is not included as the identity of the bank would be revealed and would be a breach of confidentiality.

Interviewees: The interviewees of Bank 1 were the HR Manager, Operations Manager and Marketing Manager.

The data: All three interviews took place in June 2003 and lasted approximately 35 minutes. Follow up phone calls with the three interviewees were conducted in September 2005 and in October 2005 the follow up interviews, which lasted approximately 15 minutes, were conducted on the premises of Bank 1. The questionnaires were filled in by the interviewees during the interview session in June 2003 and confirmed as consistent during the October 2005 interviews. Company information was obtained from Bank 1 annual reports and its website.

BANK 1: FINDINGS FOR RESEARCH QUESTION 1

To what extent are banks in Cyprus using HRM practices known to encourage corporate entrepreneurship?

All three interviewees mentioned that corporate entrepreneurship is important although one interviewee (Operations Manager) felt that it is not ‘extremely’ important because Bank 1 copies a lot of the ideas that other banks do elsewhere. Managers have their eyes open, see new things happening and try to implant the ideas in the bank in Cyprus; corporate entrepreneurship is more important to managers for the smaller things like new account types and simplification procedures.

The questionnaire results show that:
• Interviewees agree that there is a central tendency among managers as to their awareness of Corporate Entrepreneurship
• There is a lack of knowledge and training in corporate entrepreneurship within the bank
• It is part of the strategy of the bank to be more entrepreneurial
• There have been attempts to make the bank more entrepreneurial – some successful and others less so
• A suggestion scheme (using a bottom-to-top strategy) has been implemented but is not used for radical, ground-breaking ideas
• During recruitment Bank 1 looks for entrepreneurial competencies when selecting staff.

BANK 1: FINDINGS FOR RESEARCH QUESTION 2

How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?

Most of the HRM practices used are effective in terms of encouraging corporate entrepreneurship but there is still a lot of room for improvement for corporate entrepreneurship. There is a reward system and feedback but the practices do not have a corporate entrepreneurial focus. The HRM practices tend to be conservative and control oriented which is not particularly useful for corporate entrepreneurship and HRM practices do not go far enough to encourage the change that interviewees would like to see within the bank.

During recruitment and selection Bank 1 looks for people with competencies in innovation or just coming up with new ideas, but Bank 1 ends up selecting people that fit in with the ‘banker mentality’ which tends to be conservative. The HR Manager stated, “Although we want people with fresh ideas we will not hire anyone that does not fit in with our way of thinking; individuals who could be rebels are not hired”. Furthermore, interviewees noted that young people start with a lot of new ideas in the bank but find the whole procedure too hierarchical and bureaucratic; when the young employees find their efforts thwarted, the employees stop trying for something new and concentrate on the job at hand.
The suggestion scheme is very successful with over 100 suggestions per year. The marketing department thinks of new products all the time. The support staff (employees of the marketing department) have as their main task to look for new things.

Twenty five percent of the 100 or more ideas generated in the last year were taken up and implemented in the last six months. None of these ideas get to the implementation stage without official approval. Unofficially, the departments can try out some new things but departments always will end up going through the proper channels to get approval. Most of the ideas come from employees who work in branches (front-line employees) for final implementation.

No extra time is afforded to employees during their work hours for new ideas or entrepreneurial thinking and experimentation. There is little extra time available to employees beyond their daily job duties. Extra time is afforded only to the retail department and planning department because of the nature of their job spending time on new issues.

BANK 1: FINDINGS FOR RESEARCH QUESTION 3

What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?

The main inhibitor identified in Bank 1 is that it is very hierarchical and there is not enough freedom and autonomy for employees. Most employees start out expecting a certain degree of autonomy and responsibility but get discouraged when they actually experience the day-to-day operations and this stifles creativity. Employees therefore, tend to become conservative (adopting the bank’s culture) and follow all the rules and regulations. Management tries to change this system but all three interviewees explained that this is a one hundred year old bank and it is very difficult for it to change. The lack of freedom, which is part of the bank’s culture, has the bank avoiding anything risky since the bank’s rationale in dealing with money and lending would prefer that management err on the side of caution and control. One interviewee
(Marketing Manager) stated that an employee may be a teller, a branch manager or working for the IT department but one is still a banker and that permeates a certain culture of conservatism. He said “we work in the marketing department but we are still first and foremost bankers and then marketers!”

Additionally, the union is recognised as inhibitors to corporate entrepreneurship although not to less an extent than the banking culture. Remuneration is uniform as set by the collective agreements but if employees are good then he/she will get promoted and will eventually surpass employees who do not try to think of new ideas.

Bank 1 does not use the American style of promoting where high potential employees are identified and then pushed forward. In this bank promotion is a much slower and steady process. One interviewee mentioned, “good people are rewarded through the process and not through remuneration” (Marketing Manager). All interviewees want a more flexible system where the best get the rewards employees deserve. However, the absence of a flexible promotion and rewards system is not the only major reason that innovation is stifled in Bank 1. Employees try to be entrepreneurial but employees are discouraged because of the restrictive practices in the bank.

Additionally, the job security that the collective agreements afford the bank employees is a deterrent to productivity overall. Employees know that whatever they do the bank will not make the employees redundant and so a large number of employees just work to the bare minimum.

BANK 1: FINDINGS FOR RESEARCH QUESTION 4

*What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?*

In Bank 1 no single motivator stands out as the most important in contrast to inhibitors were the banking culture was the major inhibitor. One motivator is the rewards offered to employees; interviewees claim that a more flexible reward system would encourage corporate entrepreneurship. Additionally, a creative recruitment and selection system would play a major role in enhancing corporate entrepreneurship in
the bank. The bank could hire people who do not always fit the status quo of the company and instead employ ‘movers and shakers’ who would be more receptive to becoming entrepreneurial within the bank.

Training was also identified as an important HRM motivator in enhancing corporate entrepreneurship in the bank. Providing training on corporate entrepreneurship, general training on creativity and how to spot future opportunities for the bank will motivate employees to be more entrepreneurial.

Paying attention to young people and providing employees with challenging tasks is another motivator for corporate entrepreneurship identified by two interviewees (HR and Marketing Managers).

The Operations and Marketing Manager believe that outsourcing some functions will help get people more creative. These Managers do not, however, have any data on how successful outsourcing will be, as until 2004 banks were not allowed to use outsourcing since this was going against the collective agreement with the union. The new agreement 2005-2008 allows banks to use outsourcing for some of their functions (building and equipment maintenance, offices and buildings cleaning and mail administration) as well as using more part-time employees (no more than 3 percent of total permanent employees).

An important factor identified by all three interviewees is to get the employees committed to the company. One interviewee stated, “the main issue is to manage to get your people to care for the organisation, see and understand the management, being part of the organisation and to be ‘fanatised’ about the bank” (HR Manager).

The whole idea is to get people to realise that times are changing and not just for Cyprus but also for all banks in the world. Cyprus banks have been protected for many years, and basically had the same system as in the 1960s in England. Now, 40 years later, banks are finally moving towards a new era in banking, and therefore, need to change. All interviewees believe it is possible to do so; employees need to care for the bank and make it their own.
A bonus scheme was thought to be a good motivator for employees. All three interviewees were unanimous that stock options, although this would make the employees feel more like owners, will not work now. The bank tried the use of stock options but because of the stock exchange fiasco in 2001-2002, a lot of employees lost out. Hence, managers do not consider stock options a viable solution for corporate entrepreneurship. If the situation with the stock market improves then a stock option plan would be a good idea. The bank does however, have other bonus schemes offering weekend breaks, hotel accommodations and free travel usually to Greece.

Bank’s 1 HR Manager said, “The HRM department is working on a new incentive scheme, which will be group and individual performance related but it is a work-in-progress and needs to get the approval of the union.”
APPENDIX 5 - BANK 2 SINGLE CASE ANALYSIS SUMMARY

This single case analysis focuses on Bank 2. First, general information about Bank 2 is summarized. Then, Bank 2 results for each of the four research questions are provided; these results are based on data collected about Bank 2 only.

BANK 2: GENERAL INFORMATION

The Bank: Bank 2 is one of two largest banks in Cyprus. It has over 6800 employees worldwide and operates in England, Australia, Greece and the Federal Republic of Serbia and Montenegro. More information is not included as the identity of the bank would be revealed and would be a breach of confidentiality.

Interviewees: The interviewees of Bank 2 were the HR Manager, Operations Manager and Marketing Manager.

The data: All three interviews took place in August 2003. Follow up phone calls with the three interviewees were conducted in September 2005 as well as the follow up interviews which were conducted on the premises of Bank 2, lasting approximately 15 minutes. The questionnaires were filled in by the interviewees during the interview session in August 2003 and confirmed as consistent during the September 2005 follow up interviews. Company information was obtained from Bank 2 annual reports and its website.

BANK 2: FINDINGS FOR RESEARCH QUESTION 1

To what extent are banks in Cyprus using HRM practices known in encouraging corporate entrepreneurship?

The three interviewees stated that corporate entrepreneurship was very important for the success of the bank. The HR Manager said “the bank is always receptive to something new and it does not have to be something big or radical. We look for entrepreneurial behaviour because it is the belief of the bank that this strategy could suit its liquidity”. In addition, the Marketing and HR Manager stated that to the managers all employees are also consumers and as such, these employees have extensive knowledge of new products in the market and know first of what the bank needs to do.
The questionnaire results show that:

- Interviewees agree that there is active management support for corporate entrepreneurship within the bank.
- Employees are aware of and trained in corporate entrepreneurship.
- Corporate level entrepreneurship is encouraged, explaining that it is not only frontline to middle level employees that are encouraged to come up with new ideas but also it is important for higher level employees as well.
- Employees, regardless of rank, use the suggestion scheme that is in place. All are encouraged to ‘think outside the box’.
- During recruitment Bank 2 looks for entrepreneurial competencies when selecting staff but these competencies are not considered high priority.

The HR Manager added, “There is a lot of copying from international banks on new ideas and products that this bank adopts”. He also noted that entrepreneurship is not ‘aggressively followed’ because it all depends on the life stage of the bank. Additionally, the banking culture is very conservative and looks at any kind of innovation very carefully. The Marketing Manager said “the management of the bank promotes a change in this conservative culture to an IT strategy meaning using the innovations in Information Technology to support innovations in all areas of the bank”.

Two of the interviewees (HR and Operations Manager) mentioned furthermore, that the bank allowed and encouraged brainstorming with the main focus as the HR Manager said ‘to discuss the craziest things’.

Suggestion schemes are also part of the HR practices used to encourage corporate entrepreneurship. Management adopts a bottom up strategy and seeks new ideas, which are analysed often by the HR department. The suggestion scheme (sometimes called a new idea scheme) is implemented on a monthly basis and is done electronically. The suggestions usually come to the HR department for evaluation but if employees wanted they could write directly to the president of the bank. There is a special committee who evaluates these suggestions and implements the ones
employees think are valuable to the success of the bank. The implemented ideas get prizes, also the ideas that the committee deemed valuable get rewarded.

The concept of entrepreneurial behaviour is not evident in all performance evaluations. The HR Manager said “it depends on the department when the bank evaluates the entrepreneurial behaviour of the employees. In departments like marketing or IT, it is the nature of the job to be innovative. On the other hand, when it comes to evaluating performance of employees in the lending department, then innovation is not taken into account since it is not a behaviour that management wants their employees to exhibit in the lending department”.

Lastly, all interviewees considered the organisational structure to encourage entrepreneurial behaviour. Managers said that the structure in Bank 2 was not hierarchical and employees had easy access to department heads and higher-level managers.

BANK 2: FINDINGS FOR RESEARCH QUESTION 2

*How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?*

All interviewees stated that the suggestion scheme that is in place in Bank 2 is quite successful with many ideas (the Marketing Manager suggested that there are hundreds of new ideas suggested every month) being suggested and approximately two to three of those ideas implemented in the previous six months.

These suggestions are implemented without official approval only if the ideas do not play a major role for the bank. The HR Manager and Operation manager gave the example of the dress code of the bank, which is very conservative and formal. The suggestion was to introduce it to a casual Friday day like in the USA and although, the bank did not accept it, still some departments implemented this without official approval. The HR Manager reiterated that within departments new ideas are implemented often without official approval, especially when it has to do with
entrepreneurial mentality, which is encouraged, by the bank, but a new idea requires cross-departmental change, then there is a need for official approval.

There is a staff suggestion scheme committee, which also encourages staff to provide ideas, evaluates employees and the successful originator of the idea is rewarded. In the suggestion scheme, there is a reward system where once a year the most profitable ideas are rewarded. This is considered very important for the management of the bank. Rewards would include trips, overnight accommodations and commemorative plaques. A couple of years ago, management put forward around the Managing for value scheme – which was given a big push throughout the bank. Employees were trained in corporate entrepreneurship and were asked to work out every entrepreneurial activity with the value it adds to the organisation. If it does add value then the employees are rewarded. Practices for value are awarded once a month and there is also a yearly award.

The HR Manager mentioned training. He said, “We are quite proud of our training efforts”. Training plays an important role in the success of the bank. Specifically training in corporate entrepreneurship is very important and apart from the in-house training provided, there is additional outside training by expert consultants. Training is conducted with simulation programmes, which have been successful. There are mechanisms in place to evaluate the results of training since the HR Manager said that the department is not content to train for training’s sake but to focus on the results.

Additionally, all interviewees mentioned the performance appraisal system. The system is designed to set goals for training and to get employees to be effective and efficient for the future rather than just evaluating past performance. Employees are given ways to improve their efficiency and often this is put in terms of entrepreneurial activity. The performance appraisal system used is a 360-degree feedback system, getting information from a variety of sources, from the department manager, direct supervisor and employee self-evaluation.
BANK 2: FINDINGS FOR RESEARCH QUESTION 3

What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?

All three interviewees mentioned the union system of Cyprus banking to be a strong inhibitor to corporate entrepreneurship. Any changes that management wants to implement have to go through the union. There are restrictions to reward employees as salaries are set by the collective agreements and no employer can pay more to reward excellent performance. Additionally, the union does not allow part timers or outsourcing (except for specific departments implemented in the 2004 collective agreement) and that makes it difficult for the bank to bring in new blood or a new perspective on how to conduct business.

Two of the interviewees said that entrenchment is also an inhibitor to corporate entrepreneurship (HR Manager and Operations Manager). Employees are entrenched in their own way of doing things and resist change. Employees tend to stay within their comfort zone. The younger generation does make suggestions and tries to be entrepreneurial but employees of a certain age and level are reluctant to accept these new ideas and resist change. After a while, the corporate entrepreneurs tend to give up and become part of the culture resisting change. The Operations Manager stated, “Basically people’s complacency is a major inhibitor to us”.

The interviewees said that in the last ten years the bank has not been expanding much, not hiring new employees and is now stagnating. It is very hard to get employees to perform since even high potential employees get demotivated. The interviewees claim that there is no demand for employees to perform and the employees need a lot of motivation. The HR Manager said, “Banks have ‘over hired’ and now will not hire anymore”, so there is a limited supply of work and a limited supply of promotions, therefore employees just do the minimum required effort. The HR Manager gave the example of 20 employees of about 25 years of age who have received their banking certificate and, according to the collective agreements, all of the employees have to get a raise and move up a level in the hierarchy even though the employees have not proven themselves yet; the Bank is forced to promote the employees. This can be
demotivating to employees who have worked for longer in the company and who have proven themselves; the Bank cannot promote the employees because there are only a certain number of promotions per year that the bank can afford to give. His motto is that knowledge is not power rather the application of knowledge is power and although he respects the qualifications, he feels acquiring degrees should not automatically mean higher pay and a promotion.

Related to the above, another inhibitor identified by all three interviewees was job security. Along with union influence the Marketing Manager and Operations and HR Manager defined this as a major obstacle to corporate entrepreneurship. The Marketing Manager mentioned Maslow’s “hierarchy of needs” theory, where people by nature seek something better, and so the people are intrinsically motivated. By providing employees though with job security the employees are aware that they do not need to strive for something better; the bank employees jobs are secured and thus are not motivated to perform better.

All three interviewees said managers should not and cannot punish an employee for poor performance or for being unproductive. Many employees do not work up to standard because employees know their job is secure no matter what. Today in Bank 2 any level of performance regardless of how good or bad is always compensated and always compensated the same. The interviewees believe not having job security would make employees try harder and be more entrepreneurial. Moreover, the HR Manager stated that the resources given for corporate entrepreneurship are not enough and the lack thereof can be an inhibitor. Furthermore, the higher-level employees use their power to resist change and to thwart any new ideas employees come up with. Additionally, the HR Manager said “some higher level employees and the union tend to see HR as a necessary evil and resist any ideas or changes that the department wants to implement”. The HR Manager claims “that if the extra rewards like trips and free accommodation have motivated employees to be entrepreneurial how much more entrepreneurial would the employees be if their job and in effect their pay was not secure?”
Lastly, two interviewees mentioned that punishing failure is an inhibitor to corporate entrepreneurship as well (HR Manager and Marketing Manager). There is a tendency in the bank to ostracise employees that were in charge of projects that failed. This reduces the amount of risk and innovation an employee wants to take because of fear of being put aside (NOT losing the job though). If ideas are implemented badly or employees take unnecessary risks then one should punish the employee, showing due cause for taking those punishment measures. The bank as a whole wants to be seen as promoting corporate entrepreneurship and anything that changes the status quo in a small way is welcomed although what is yet to be accepted is changing the norms of the banking environment and changing banking culture.

BANK 2: FINDINGS FOR RESEARCH QUESTION 4

What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

All three interviewees stated that one of the most important motivators in enhancing corporate entrepreneurship in the bank is trust. Trusting the employees, providing employees with autonomy and authority to perform their job is essential to motivating employees and providing them with self-confidence to be entrepreneurial. Interviewees said it is a self-fulfilling prophecy; if you believe in employees’ abilities and have faith in employees then employees are more than likely to succeed in their jobs. The bank should build a feeling of trust.

Another motivator is not to compensate uniformly as specified by the collective agreements. To be able to separate the exceptional employees from the average and the poor performers, the bank needs to reward employees in various degrees.

Additionally, open communication is also essential in enhancing corporate entrepreneurship. It is important to have honest bottom-up and top-down communication. Providing feedback to the originators of the ideas is also very important. There should be positive feedback to employees that exhibit entrepreneurial behaviour even though their ideas do not get implemented. Feedback
and rewards should be given not only to the best ideas but to consistent entrepreneurial behaviour as well. Quality and quantity are important.
This single case analysis focuses on Bank 3. First, general information about Bank 3 is summarized. Then, Bank 3 results for each of the four research questions are provided; these results are based on data collected about Bank 3 only.

BANK 3: GENERAL INFORMATION

The Bank: Bank 3 is a medium sized bank in Cyprus and has been going through a reengineering process. It has approximately 5500 employees worldwide and operates in England, Greece and Russia. More information is not included as the identity of the bank would be revealed and would be a breach of confidentiality.

Interviewees: The interviewees of Bank 3 were the HR Manager, Operations Manager and Marketing Manager.

The data: All three interviews took place in July 2003. Follow up phone calls with the three interviewees were conducted in September 2005 and in the same month the follow up interviews were conducted on the premises of Bank 3, which lasted approximately 10 minutes. The questionnaires were filled in by the interviewees during the interview session in July 2003 and confirmed as consistent during the September 2005 interviews. Company information was obtained from Bank 3 annual reports and its website.

BANK 3: FINDINGS FOR RESEARCH QUESTION 1

To what extent are banks in Cyprus using HRM practices known in encouraging corporate entrepreneurship?

All three interviewees stated that corporate entrepreneurship was important for their bank although the Marketing Manager stated, “that corporate entrepreneurship is a haphazard approach in this bank”. There is not so much a formal corporate entrepreneurship environment as an informal network of bottom up new ideas. Even though the bank is implementing reengineering concept, the banking culture and being a large, mature organisation results in limited degrees of ideas generation.

The questionnaire results show that:
• Interviewees agree that managers very aware of corporate entrepreneurship
• There is a central tendency towards knowledge and training in corporate entrepreneurship within the bank
• It is part of the strategy of the bank to be more entrepreneurial
• There have been attempts to make the bank more entrepreneurial – some successful and others less so
• A suggestion scheme (using a bottom-to-top strategy) has been implemented

Two interviewees (HR and Marketing Manager) said that the bank is quite informal and believe the Bank is not a rigid, hierarchical organisation like in the bigger banks. Bank 3 is relatively informal, with an open door policy where employees are encouraged to approach their supervisors and talk. The HR Manager added “that approximately five years ago, it would have been a different story because the culture then in the bank was distinctly different.” Although, the bank faced trouble grasping the new culture nevertheless, it managed to change its culture to a less informal setting.

Both the Marketing and HR Managers mentioned that for Bank 3 corporate entrepreneurship comes in the form of market tactics, open products, changes in the process and procedures; when the idea is about ‘cutting corners’, employees tend to take an in-depth initiative. The two managers admit though there is a persistent, traditional banking culture, especially among the front line employees, where there is still a lot of control and low levels of autonomy. Most big projects are recommended by top management but generally the interviewees have observed that the efficiency drive of the bank came from low to medium-level employees.

All three interviewees stated that their departments use quality circles. The three interviewees explained that it is not quality circles, as usually defined, but a combination of meetings and brainstorming. For example, managers choose employees from various departments and get the employees into meetings to brainstorm for new ideas around cutting costs, improving service and procedures. The three interviewees found that these quality circles were invaluable sources of information and ideas generation.
Bank 3 concentrates on making sure that employees feel like they own the bank. Employees do not see the bank as a black hole – (with employees on the one side and the bank administration on the other) - rather employees understand how the bank operates and what needs to be done.

Additionally, the HR Manager added there is a contest once a year for the best new ideas and suggestions. He introduced, as well, the concept of a “mystery shopper” who would try to catch the employees unawares and test employees on their knowledge of the bank. According to the HR Manager this strategy resulted in increased customer satisfaction and “kept employees on their toes”.

BANK 3: FINDINGS FOR RESEARCH QUESTION 2

How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?

There is still a long way to go when it comes to HRM following practices to encourage corporate entrepreneurship but the practices tend to work well for Bank 3.

Two interviewees (Operations and HR Manager) mentioned the introduction of teamwork and explained that job performance is also measured by teamwork abilities. Management assessed the employees by branch performance. The “mystery shoppers” create healthy competition among branches to be better and more innovative and to try out new things that will get the branch to be more productive and hence profitable.

Furthermore, linked to team performance and branch performance, the HR Manager added what he termed as the ‘individual incentive programme’, which is a personal incentives programme. In this case Bank 3 gives bonuses in terms of a point system where employees can exchange the points for goods and services. It is like rewarding for taking part in the suggestion scheme.

In Bank 3, all three interviewees had information about the number of ideas generated and how many of the ideas were implemented. The three interviewees said that
approximately 130-140 ideas were put through the suggestion scheme in the last six months and about 20-30 of those suggestions were implemented. Management informed employees of the ideas being implemented and often the idea generators were given responsibility for the implementation of the idea.

Interestingly, all interviewees mentioned that some ideas get implemented without official approval. The Marketing Manager said “it is not a conscious evasion rather it deals with issues that are not too sensitive and therefore, do not require official approval. When it is a routine matter and we change to save money, why ask for anybody’s approval if the result is positive?” In addition, experimenting with various ideas and procedures is also often implemented without official approval as it is still in the experimentation stage. All interviewees of Bank 3 stated without subterfuge that not all ideas go through official channels.

BANK 3: FINDINGS FOR RESEARCH QUESTION 3

*What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?*

The biggest inhibitor identified by the interviewees was the labour union. All three interviewees agreed that the labour union constrains corporate entrepreneurship in the bank. The three interviewees identified the weight of the collective agreements as one major constraint, which does not allow the bank to provide monetary incentives to employees other than the ones stated in the collective agreements. According to the three interviewees, compensation is too high anyway and this does not allow the bank much freedom in rewarding performance since the bank is already ‘paying through the nose’ (Marketing Manager).

The HR Manager said, “Labour costs are too high, 70% of the bank’s costs are labour costs. Everyone gets the same amount paid (too high salaries standards) whether employees are productive or not”. He added that the bank needs to find other ways to recognise entrepreneurial performance other than monetary rewards. If it gives out a substantial bonus, then that becomes a precedent case which the union latches onto.
and demand that the same amount is awarded every time. The management of the bank is afraid that such actions become institutionalised.

The HR and Operations Managers said a major difference between Cypriot banks and European banks is the provident fund. The difference between Cypriots and most Europeans is that the Cypriot provident funds are a defined benefit i.e. at the end of the day when employees retire they receive a fixed sum, fixed annual salaries, whereas the European provident funds pay out to the employees the value of the provident fund at that point in time. For Cypriots it is a defined benefit, (60 wages of the last salary); and that is an enormous burden on the bank. Salaries are fixed and are increasing as inflation goes up (COLA – cost of living adjustment is given every six months) as well as fixed salary increases set by the collective agreements.

Both the Marketing and HR Manager added, the managers can and do recognise entrepreneurial performance with promotions. Although employees are ‘hungry’ for this recognition, promotions are few. Bank 3 has not been hiring for the last five years as it and all Cypriot banks have a labour surplus.

Additionally, all three interviewees said that not only is the union an inhibitor but also the fact that employees have job security inhibits employees from demonstrating corporate entrepreneurial behaviour. The bank’s management (Marketing and Operations Manager) believes that it needs newcomers (new blood and lower salaries) but cannot afford to hire because the bank has an employee surplus with very few employees retiring. A large percentage of employees are at senior levels and are well-compensated adding economic burdens on the bank. Furthermore, management is not allowed to hire part timers or casuals. The HR Manager said “even if we could force some employees to take early retirement or try to make employees redundant, there is a clause in the bank’s collective agreements that do not allow the bank to hire anybody for those positions for the next two years. The union is very strict in enforcing the contracts”.

Another inhibitor identified was the banking culture. Both the HR and Marketing Manager mentioned, the ingrained culture ‘brainwashes’ employees and gets
employees to follow procedures blindly; employees are thrown in a box and it becomes very hard to step out of the box. Then again, it needs very careful handling since the bank deals with people’s monies; management wants to encourage corporate entrepreneurship but not reckless behaviour. Administration is very careful in this respect; it would rather err on the side of conservatism then encourage people to take all sorts of initiatives.

One manager mentioned that the bank is not allowed to headhunt good employees from other banks. It is not accepted practice in the banking sector of Cyprus and the union is against this as well.

Lastly, the interviewees noted that through the collective agreements banks are allowed to make employees redundant only in certain circumstances, like embezzling money, conduct unbecoming a bank employee or criminal offences. So, there is job security no matter what the level of performance.

BANK 3: FINDINGS FOR RESEARCH QUESTION 4

What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

Cash was suggested as being the most important motivator according to the interviewees in this bank. Two interviewees (HR and Operations Manager) indirectly said that monetary rewards are what would encourage their employees to be entrepreneurial and one (Marketing Manager) very directly stated “cash was an all-important motivator here”. The other two interviewees however, stated that although monetary rewards are important the monetary rewards are not necessarily the only rewards that could motivate employees. There are such things like support and recognising employees for a job well done.

Recruitment and selection were also identified as motivators, where creativity and innovation are emphasised during selection. The banks try to that but management is still a long way away from hiring people that do not fit the status quo.
Two interviewees (Marketing and HR Manager) stated that training was important, not only for the actual job but developing employees by providing training on creativity and generally corporate entrepreneurship. The training provided in Bank 3 is not in-house rather mostly external teams are brought in. Some competencies the interviewees said are difficult to organise and so we bring in external consultants. Managers said that areas like risk management and credit assessment were all done in-house and the external trainers were mostly used for getting employees to ‘think outside the box’. This is outsourced because the bank believes that bringing people from the outside encourages new ideas, and allows for a whole new perspective of the banking business.

Lastly, two interviewees (Marketing and HR Manager) mentioned the need for teamwork and to pay attention to young employees who are known to have new ideas and develop the employees. Essentially, managers said that change is always needed and Bank 3 cannot afford to remain stable but has to go with the times and the dynamic business environment that the bank operates in requires flexibility and adaptability with fresh new outlooks on how to do business. The HR Manager mentioned that in the last two years the department did hire new people (3 new employees) but for senior positions with very good qualifications because the new employees were considered the ‘cream of the crop’ and the bank needed this new talent.
APPENDIX 7 - BANK 4 SINGLE CASE ANALYSIS SUMMARY

This single case analysis focuses on Bank 4. First, general information about Bank 4 is summarized. Then, Bank 4 results for each of the four research questions are provided; these results are based on data collected about Bank 4 only.

BANK 4: GENERAL INFORMATION

The Bank: Bank 4 is one of the smallest banks in Cyprus. It has over 3500 employees worldwide and operates in England and Greece. More information is not included as the identity of the bank would be revealed and would be a breach of confidentiality.

Interviewees: The interviewees of Bank 4 were the HR assistant manager, Operations Manager and Marketing Manager. All interviewees were available apart from the HR Manager and so the HR assistant manager was interviewed in his place.

The data: All three interviews took place in June 2003. Follow up phone calls with the three interviewees were conducted in September 2005 and in the same month the follow up interviews were conducted on the premises of Bank 4, which lasted approximately 10 minutes. The questionnaires were filled in by the interviewees during the interview session in June 2003 and confirmed as consistent during the September 2005 interviews apart from the questionnaire of the Marketing Manager who changed two answers. These changes were largely due to problems that the department had been facing in the preceding two years. The changes were not dramatic and therefore still consistent with the questionnaire results of June 2003. Company information was obtained from Bank 5 annual reports and its website.

BANK 4: FINDINGS FOR RESEARCH QUESTION 1

To what extent are banks in Cyprus using HRM practices known in encouraging corporate entrepreneurship?

Two interviewees (HR assistant manager and Marketing Manager) stated that there is active management support for corporate entrepreneurship but the Operations Manager stated that management is merely ‘aware’ of corporate entrepreneurship. In general though, all interviewees agreed that corporate entrepreneurship is very
important for the viability of the bank. All three interviewees agreed that there is a lack of knowledge and training in corporate entrepreneurship within Bank 4.

Bank 4 uses a suggestion scheme but it is not a formally set system rather anybody with ideas can talk to their supervisor and the supervisors in turn send it to HR or employees can talk directly with the HR department. Ideas come from all areas of the bank but being a small bank that means also fewer ideas, according to the Marketing Manager.

As far as training is concerned all three interviewees stated that there is no regular training provided by the bank rather when there are changes or when there is need then training is provided, especially when it is about new products introduced into the bank. The interviewees mentioned a lot of the ideas implemented in Bank 4 come from Greece.

Two interviewees (Marketing and Operations Manager) mentioned that rewards for ideas, and evaluating personnel on their creativity are the two HR practices used to encourage corporate entrepreneurship among employees. The three interviewees could not elaborate further as to the current HR practices used by the bank or why corporate entrepreneurship was important for the viability of the bank.

The questionnaire results show that:

- Interviewees agree that Bank 4 managers are moderately aware of corporate entrepreneurship
- There is a lack of knowledge and training in corporate entrepreneurship within Bank 4
- There have been attempts to make the bank more entrepreneurial – some successful and others less so
- Bank 4 employs a suggestion scheme but it is not a formalised scheme and is rarely used by employees.
BANK 4: FINDINGS FOR RESEARCH QUESTION 2

How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?

According to the interviewees the HR practices mentioned above (rewards and evaluation) were effective to enhance corporate entrepreneurship in Bank 4. The Marketing Manager stated that 12 ideas were suggested in the last six months and about one to two ideas were implemented (one being seasonal loans). None of these ideas were implemented without official approval.

All three interviewees were quite adamant that nothing goes through without management’s seal of approval. The interviewees said that being a small bank issues could be misconstrued. The HR assistant manager additionally said that he wants all ideas to go through his department so as to show who came up with the idea, and if that idea is implemented then the right person would get the credit.

There has been a renewal of staff (e.g. early retirement schemes) in the last five years, which helped with corporate entrepreneurship, but there are still older employees that affect and restrict the new recruits. More of this is explained in research question 3 as an inhibitor to corporate entrepreneurship.

BANK 4: FINDINGS FOR RESEARCH QUESTION 3

What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?

The main inhibitor identified by all three interviewees was the union. The Marketing Manager stated that the union is strong in Cyprus and get into things that are none of the union’s concern. Since all the personnel in the bank are unionised, all interviewees said that the managers cannot be made redundant or even punish an employee without going through the union first. Additionally, the fact that salaries cannot be lowered for lack of performance is a major constraint in terms of monetary benefits for the bank. The Operations Manager mentioned the example of a messenger who earns more than CYP 30,000 (≈AUD 90,000) per year but is not
productive and his salary has been increasing through the years regardless of performance as a fixed annual raise is given to every employee. That is a major burden for the bank, he said as well as having messengers who earn more money than a manager. Due to the fact that the messenger has now been with the bank for many years and he is near retirement age and although he is not productive, the bank still has to pay him a very high salary as the salary increases exponentially with years of service. In addition, all employees have job security which makes it difficult for management to motivate the employees to be more entrepreneurial because although employees cannot be fired if anything goes wrong, employees are just not energised enough to come up with new ideas.

Apart from the union all interviewees agreed that the culture of the bank is also an inhibitor. The bank was governmental (belonging to the Greek government) for a time and up the mid 70s it was a small branch of the Greek government. There was a negative climate as the bank adopted a civil servant attitude. Even nowadays Bank 4 is having problems with this attitude in some areas. Many of the bank employees, even though a lot left with the early retirement scheme that was offered by Bank 4, have a negative attitude and do not want to accept change or change their perceptions.

It is very difficult to change employees’ perceptions and organisational culture, but two interviewees (Marketing and Operations) believe that Bank 4 has been doing well in that department in the last ten years, although the managers cannot honestly say that they are completely satisfied with the interest the staff shows. There has been a 50% renewal of staff but there are still a lot of older employees that affect the new staff and resist change. The HR assistant manager said, “The HR department has a lot of work to do to deal with this problem”.

BANK 4: FINDINGS FOR RESEARCH QUESTION 4

What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

All three interviewees stated in no uncertain terms that they believed ‘cash’ to be the only motivator for enhancing corporate entrepreneurship in Cyprus banks. The bank
is one of the smallest banks and the HR assistant manager admitted that although management does have a suggestion scheme for employees to share their ideas, it is in name only and not actually used within the company. Additionally, the scheme is not something that Bank 4 encourages, rather management simply wants employees to do their job more efficiently and effectively and bring in new customers and accounts.

The Marketing Manager said “For this bank money talks and that is how we would get employees motivated to try new things and be flexible”.

APPENDIX 8 - BANK 5 SINGLE CASE ANALYSIS SUMMARY

This single case analysis focuses on Bank 5. First, general information about Bank 5 is summarized. Then, Bank 5 results for each of the four research questions are provided; these results are based on data collected about Bank 5 only.

BANK 5: GENERAL INFORMATION

The Bank: Bank 5 is one of the smallest banks in Cyprus. It has approximately 1800 employees worldwide and operates in England and Greece. More information is not included as the identity of the bank would be revealed and it would be a breach of confidentiality.

Interviewees: The interviewees of Bank 5 were the HR Manager, Operations Manager and Marketing Manager.

The data: All three interviews took place in June 2003. Follow up phone calls with the three interviewees were conducted in September 2005, and in October 2005 the follow up interviews were conducted on the premises of Bank 5, which lasted approximately 10 minutes. The questionnaires were filled in by the interviewees during the interview session in June 2003 and confirmed as consistent during the October 2005 interviews. Company information was obtained from Bank 5 annual reports and its website.

BANK 5: FINDINGS FOR RESEARCH QUESTION 1

To what extent are banks in Cyprus using HRM practices known in encouraging corporate entrepreneurship?

All three interviewees feel that corporate entrepreneurship is important to the organisation. The HR Manager stated, “We are in a very competitive market and in this environment we try as a bank to establish ourselves. We try, as a bank, to invent products and techniques that are innovative and attractive to the customer, therefore, corporate entrepreneurship is very important to us”. 

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All three interviewees continuously discussed the marketing function of the bank, as the one responsible for all new ideas and therefore for managers the HR department just follows the direction given by the marketing department.

Over the preceding six months three ideas were taken up by management, two were implemented and the other will be implemented if in future there is a market need.

If any of the ideas are about procedures within a department then the procedures can be implemented without official approval. If the ideas deal with the outside environment, affecting clients, then the ideas need an official stamp of approval from management.

BANK 5: FINDINGS FOR RESEARCH QUESTION 2

*How effective are current HRM practices to encourage corporate entrepreneurship in Cypriot banks?*

The HR and Marketing Manager stated when the marketing department decides on which products to develop and market then the training department is notified. The HR department then develops a training programme that trains front line employees and upwards. The other interviewee (Operations Manager) also appeared to be taking the question in the context of marketing strategy rather than HR practices encouraging corporate entrepreneurship, and therefore, the interviewer had to elaborate and ask again about the HR practices used to encourage entrepreneurial activities within the bank not necessarily from the marketing department.

With this added prompting the interviewees (HR Manager and Marketing Manager) mentioned Performance Appraisals as being very effective in their bank. Bank 5 does not call them performance appraisals but a Performance Management System, explaining that managers do not evaluate employees (scoring points, critiques and suggestions) but rather managers deal with the development side of the employee. The Performance management system is thus constructed to include elements of what employees see and hear in the day-to-day activities of the bank to make it productive and more profitable. An element of innovation is also included in the Performance
Management System. Employees fill out the performance management systems forms recommending what the bank needs to or should do and whether they need to be trained on that issue.

Performance appraisal takes place not just once a year but every 3 months. There are meetings with supervisors where employees discuss ideas. There are also pancyprian meetings where people from all over Cyprus come together to promote their ideas. Usually the employees that come up with the ideas are the ones that are trained in implementing the ideas.

The questionnaire results show that:

- Interviewees agree that there is a low level of awareness of corporate entrepreneurship among managers
- There is a lack of knowledge and training in corporate entrepreneurship within the bank
- Failure is not tolerated in Bank 5
- A suggestion scheme is in place but is rarely used by employees, as management believes that meetings are sufficient to get ideas across. If no meeting is set, then a memo can be written by the employee to their direct supervisor who then relays it further up in the hierarchy.
- During recruitment Bank 5 recruits and selects employees ‘compatible’ with the banking culture.

The HR Manager said, “The bank never focuses more on the results than the processes”. The other two interviewees (Operations and Marketing Manager) also reiterated that for Bank 5, the processes are as important as the results. It is important to have a plan and follow the procedures and practices of the bank rigidly.

The HR Manager added that HR personnel are often sent abroad (to Greece) for training and the ideas from the Greek market are often adopted by Bank 5.

Lastly, on compensation and rewards interviewees agreed with each other, as it is a very rigid procedure dictated mostly by the collective agreement of the banks with the
union. There is no flexibility in the compensation practices of the bank and compensation rates are uniform across the company. Bank 4 has not a lot of latitude in providing extrinsic motivation like financial rewards or stock options managers try to use intrinsic motivation like awards and recognition to employees.

BANK 5: FINDINGS FOR RESEARCH QUESTION 3
What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?

The HR Manager said that the only area he can think of are the systems which may not be appropriate for the bank, referring he explained to technological systems. He said that some issues are not dealt with because there is lack of technology and the bank cannot continuously be up-to-date.

All three interviewees said that one aspect that can inhibit corporate entrepreneurship is the trade union. Unions do not allow overtime work since they consider overtime work to be negative for the employee. The union sometimes “raids” a bank; if any employees are still at work past the closing time (14:30) then the union force their members to exit the company. Another problem relating to the union concerns the content of performance appraisals: managers and supervisors are not allowed to include any quantitative data in the appraisals as the union opposed this because it exercises unnecessary pressure on their members. This means performance appraisals and performance targets tend to be general rather than specific.

BANK 5: FINDINGS FOR RESEARCH QUESTION 4
What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

The operations and Marketing Managers identified a good IT department as a motivator. Being abreast of new technologies means being a leader in the banking industry.
The HR Manager said “Visits from the HR department to various units in the bank to show people that HR cares and is there for the employees, can help motivate people to be more entrepreneurial”. Additionally, there should be interaction with all departments and perhaps schedule monthly meetings of the issues that come to HR.

As this is a small bank, it was stated by all interviewees that this bank does not try to establish itself in the same field as their established competitors, that is in retail banking or gaining accounts, rather it tries to get people to come to Bank 5 because as a small bank it offers something different than other banks.
APPENDIX 9 - CASE STUDY PROTOCOL

1. OVERVIEW. This section presents a brief background to the research and identifies the research problem and questions. A detailed analysis is provided in chapter 1.

1.1 Background to the research. This research investigates how banks in Cyprus can use HRM practices to encourage effective corporate entrepreneurial activity. Specifically, the research examines the effectiveness of current HRM practices and analyses the difficulties and constraints in implementing HRM policies that promote corporate entrepreneurship in the Cypriot banking industry. Suggestions for improvement are identified and practical guidelines offered for more effective use of HRM practices that promote corporate entrepreneurship.

1.2 Research problem. “How can HRM practices support and encourage corporate entrepreneurship in the Cyprus banking industry?”

1.3 Research questions.
RQ 1. To what extent are banks in Cyprus using HRM practices known to encourage corporate entrepreneurship?
RQ 2. How effective are current HRM practices in encouraging corporate entrepreneurship in Cyprus Banks?
RQ 3. What factors inhibit HRM practices in encouraging corporate entrepreneurship in Cyprus banks?
RQ 4. What are the most important (HRM) motivators in enhancing corporate entrepreneurship in Cyprus banks?

2. GUIDE FOR CASE STUDY REPORT. An outline of the thesis is used as the guide to the case study report. The outline can also be found in Chapter 1, section 1.7. Following the introduction to the research in Chapter one, Chapter Two presents a literature review covering the major relevant disciplines informing the research problem: Corporate Entrepreneurship, Human Resource Management. In a separate
section the literature review addresses findings specifically relating to HRM practice and support for corporate entrepreneurship. The literature chapter will also cover at the research context: the banking industry in Cyprus. At the end of the chapter the research questions are detailed.

Chapter Three focuses on the methodology of the research and the limitation of the research.

Chapters Four presents the findings and analysis of the research.

Lastly, Chapter Five presents the conclusions drawn from the research and the implications for practice and for future research.

3. FIELD PROCEDURES.
Contacting interviewees. All interviewees are senior level managers and the first contact was made by telephone in May and June 2003. The managers were informed of the purpose of the interview and a cover letter was faxed to them, providing more detailed information as to the nature of the interview.

All interviews took place in the months of June and July 2003. The interviews lasted approximately 45-55 minutes. Permission was granted in all but one case to tape the interview, therefore that interview is available only on paper. All interviews were conducted in English, except in three cases were parts of the questions were answered in Greek.

The questionnaires were filled in by the interviewees during the interview sessions of June-July 2003.

Due to the length of time that expired in the research, it was deemed prudent to conduct follow up interviews with all managers to confirm the answers as still applicable. Follow up phone calls with all interviewees were conducted in September 2005, and follow up interviews lasting approximately 10-15 minutes were conducted.
in the same month. The questionnaires were confirmed as consistent by all managers during the September 2005 interviews.

4. CASE STUDY QUESTIONS. The case study questions are introduced in Chapter 1 and explained in detail at the end of Chapter 2.

The relationship between the research questions and the interview guide is detailed in the following table. This table also appears in Chapter 3. The actual interview instrument is provided in Appendix 1.

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<th>Research Questions</th>
<th>Questions in interview guide addressing research questions</th>
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<td>Section 1: Question 1</td>
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<tr>
<td><strong>RQ2</strong>: How effective are current HR practices to encourage corporate entrepreneurship in Cyprus Banks?</td>
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