This Moment at lululemon
A firm-level assessment of entrepreneurship

Master’s Thesis within Entrepreneurial Management
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Abstract

lululemon athletica is a yoga inspired athletic clothing company. Since lululemon’s retail inception in 2000, the company has been quite successful; it has grown to sixty-four store and showrooms locations and has doubled revenue every year for the last four years.

A lululemon core value is entrepreneurship. This thesis explores this entrepreneurial value focusing primarily on an individual retail location manager perspective. The entrepreneurial concepts utilized to explore entrepreneurship are: entrepreneurial orientation (EO), entrepreneurial management, company growth, entrepreneurship preservation, and corporate entrepreneurship.

Three empirical instruments assessing entrepreneurial concepts are employed in this thesis: Entrepreneurial Orientation, Stevenson’s Entrepreneurship, and a presented recombination of Stevenson’s Entrepreneurship concept. The EO instrument considers the dimensions pioneered by Miller (1983) and Dess and Lumpkin (1996) and includes: innovation, risk-taking, proactiveness, competitive aggressiveness, and autonomy. Stevenson’s Entrepreneurship is assessed by the Operationalization of Stevenson’s Entrepreneurship scale developed by Brown et al. (2001) which determines management style proclivity between an entrepreneurial or administrative style. The third empirical study recombines the Brown et al. (2001) instrument in an attempt to explore a possible ambidextrous management function of Stevenson’s Entrepreneurship concept.

Results from the empirical studies depict lululemon as an entrepreneurial organisation. The EO study results show that lululemon emphasizes innovative and proactive behaviours. The Operationalization of Stevenson’s Entrepreneurship scale determined that lululemon slightly favours an entrepreneurial management style. The presented ambidexterity instrument reveals individual location managers to be capable of ambidextrous management.

Two possible contributions to entrepreneurship study are proposed in this thesis. Analysis of the entrepreneurial orientation concept within lululemon realized a need for a communication and coordination EO dimension to be added to the existing dimensions. Also, the recombination of the Brown et al. (2001) instrument provides an alternate measurement scale assessing management ambidexterity.
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1 **Company Description**

lululemon athletica is a yoga inspired athletic clothing company. Established in Vancouver, Canada in 1998, the company opened a single location. It functioned dually as a clothing design site and yoga studio. The first retail location was opened in Kitsilano, Vancouver, Canada in 2000. Success has spawned impressive growth, first across Canada and then internationally. International locations are found in Australia, Japan, and the United States.

lululemon is, and continues to be, a successful company. Its success has been achieved partly through a capitalization on a recent trend of improved health and lifestyle, the delivery of functional quality products, and an education style sales approach. The employed education style sales approach begins with an educator ascertaining the needs and functional requirements of clothing sought by a lululemon guest, the educator then suggests and informs the guest about the functional features and attributes of a suggested athletic garment(s). lululemon's mission, fulfilled partly through the above, is: “to provide people with the components to live a longer healthier and more fun lifestyle” (lululemon, 2007).

lululemon’s product scope has expanded from its yoga inspired roots into many different athletic clothing lines for women and men. Examples of some relatively recent line expansions include running and cycling apparel. lululemon continues to explore new product opportunities within athletic and lifestyle contexts.

lululemon’s inception has its roots in entrepreneurship as the company started from an opportunity recognized by lululemon’s founder, Chip Wilson, after he attended his first yoga class and realized a need for more technical yoga clothing. Entrepreneurs perceive opportunities, act upon discovered opportunities, and believe that success is attainable (Shane and Venkatamaran, 2000; Stevenson and Gumpert, 1985). Chip Wilson is known as an entrepreneur and could, through past and present endeavours, be characterized as so by many recent entrepreneurial definitions (Shane and Venkatamaran, 2000; Stevenson and Gumpert, 1985; Sharma and Chrisman, 1999). Previous to lululemon, Wilson founded Westbeach Sports, an international retail and wholesale surf, skateboard, and snowboard company. This successful venture was sold in 1997. The Westbeach Sports venture and his ongoing development of lululemon serve as strong evidence of Wilson's entrepreneurial qualities.

The financial success of lululemon is demonstrated by the doubling of revenue every year for the last four years. A report estimates 2006 annual revenue to be 100 million (CAN) dollars (Shaw, 2007). The company has achieved success in part by dramatic growth. Founder Chip Wilson has stated that “future growth is imminent” for lululemon (Suppa, 2006). Striving towards an impressive goal, the company plans to open two-hundred stores world-wide, and will focus primarily on women’s athletic apparel, a market which is estimated at 15 billion (CAN) dollars (Gardiner, 2005). Currently there are sixty-four store and showroom locations and lululemon employs approximately 650 people (lululemon, 2007).

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1 “Education” is a term used within the lululemon organisation describing their style of selling within their retail locations.

2 “Educators” is the term used within the lululemon organisation that describes their sales associates within their retail locations.

3 A “guest” is the term lululemon uses in reference to their customers.
The company’s explicit growth strategy has been further evidenced by a strategic move in 2005. Wilson sold a minority interest stake of forty-eight percent of lululemon to Advent International, a private equity investment group based in the United States. The sale amounted to a reported approximate value of 225 million (CAN) dollars (Gardiner, 2005). It was reported that “the transaction will support the company’s growth strategy in the U.S. and internationally and will also provide partial liquidity” (for Wilson) (Gardiner, 2005). Along with the provision of additional capital, Advent International brought experience and expertise to assist and compliment the goal of continued growth. This included the appointment of Robert Meers, former Chief Executive Officer (CEO) of Reebok (1984 – 1999), who has taken over as CEO of lululemon.

To assist in international expansion, lululemon has entered into a joint venture partnership with the Japanese company, Descent Ltd., creating lululemon Japan Incorporated. Descent is a market leader in apparel focusing on innovation in fabrics. The partnership adds further technical fabric knowledge, market expansion possibilities, and local market knowledge for lululemon (Gardiner, 2006).

lululemon continues to emphasize growth as a company objective. The company has recently announced a planned initial public offering with the intention to raise 200 million (USD) on both Canadian and U.S. stock exchanges. Although, not specifically stated as the reason for the public offering, the capital raised from this initial offering is likely to be used to fuel aggressive expansion plans.

My personal experience with lululemon athletica begins with a part-time educator position in Calgary, Alberta, Canada. When lululemon Calgary planned to open an additional location I applied for and obtained an assistant manager position. I subsequently became the manager of that location. I later left lululemon to pursue this Master degree.

During my studies, my experiences at lululemon have provided background and a frame of reference to reflect upon, allowing me to associate practical applications with theoretical research. My chosen Master’s specialization of entrepreneurial management and previous work experience within a self-proclaimed entrepreneurial company provides insight and therefore, a great opportunity to bridge these two aspects in this thesis study.

1.1 Problematisation

Andy Grove, CEO of Intel, was quoted stating: “There is at least one point in the history of any company when you have to change dramatically to rise to the next performance level. Miss the moment and you start to decline” (Tushman and O’Reilly, 1996, p. 28). lululemon may currently be facing ‘the moment’ that Andy Grove describes. At the very least, this moment poses significant challenges and may bring about significant changes for the company. lululemon is growing rapidly, expanding into new international markets through retail location placement and for the first time soliciting public funds to facilitate its expansion. To successfully achieve this chosen strategy, lululemon will have to manage many internal and external changes pertaining to: organisational structure and design, human and financial resources, its environment, management philosophy, and organisational culture. Some of these issues will be explored in this thesis.

A core business value of lululemon is entrepreneurship. lululemon was founded by a successful entrepreneur within the entrepreneurial concept of opportunity recognition. Considering these entrepreneurial attributes, it could be reasonably assumed that lululemon is an entrepreneurial company. The fact that a company core value of lululemon is entrepre-
neurship heeds its study and assessment. This thesis' purpose is to explore a middle management perspective of entrepreneurial management, company growth, and corporate entrepreneurship within lululemon.

Exploring the entrepreneurial drive of lululemon’s individual retail location managers (middle managers) seems to be a worthwhile undertaking as inclinations to such a drive is imperative to firm-level entrepreneurial initiatives of: entrepreneurial management, company growth, and corporate entrepreneurship (Kollmann et al., 2006).

An entrepreneurial management style focuses on recognising and pursuing opportunities as well as instilling a positively related atmosphere towards the acceptance of change through the broad definition of innovation. Countering an entrepreneurial management style is an administration management style. An administration management style is characterized by maintaining the status quo, striving for control, efficiency, and formal structure (Stevenson, 1983). The existence of these two opposing management styles raises the question: how will lululemon manage the duality of entrepreneurial and administrative management?

lululemon has grown significantly since its inception. In seven years the company has grown to sixty-four store and showroom locations with the goal of growing to two hundred world-wide. There are currently nine locations planned to be open in the near future (lululemon, 2007a). Company growth raises the following important questions: what associated challenges has this rapid growth brought to lululemon? What challenges will further growth bring? How can lululemon preserve their entrepreneurial values with growth?

Corporate entrepreneurship is a fairly recent field of study. It is garnering much attention in the academic and business world due to the generally accepted positive associations acting entrepreneurially has on a company. Corporate entrepreneurship is the process of discovery, evaluation, and exploitation of entrepreneurial opportunity captured by individuals within a firm (Shane and Venkataraman, 2000). Corporate entrepreneurship is important to lululemon because its practice can assist in successful company growth and performance. A question currently facing lululemon is: what are the corporate entrepreneurship implications of a growing company? Another is: what are the corporate entrepreneurship implications of middle managers and what role do they play?

This problematisation description has outlined some of the challenges lululemon might be facing and may potentially face in the future. These outlined issues will be explored in this thesis.

1.2 Thesis Inclusions, Research Areas, and Map

The aforementioned company description and problematisation discussion have described some current and possible future issues that lululemon may face. The balance of this thesis will cite relevant entrepreneurial literature, empirical research, and case study implications in an attempt to examine the research areas and fulfill this thesis' purpose.

This thesis will proceed within the following framework: Critical Theoretical Highlights, Empirical Studies, Empirical Results and lululemon Applications, and Limitations and Conclusions.

The Critical Theoretic Highlight section incorporates five entrepreneurial literature departures specifically selected in relation to the problematisation description: entrepreneurial orientation, an opportunity and resource based view of entrepreneurship, company growth,
preserving entrepreneurship in growing companies, and corporate entrepreneurship. An entrepreneurial orientation (EO) includes five inherent dimensions: innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy. The EO concept forms the measuring criteria for an assessment of firm-level entrepreneurship. The EO concept is important to this study because having an entrepreneurial orientation is integral for successful corporate entrepreneurship initiatives. An entrepreneurial orientation has also been linked to superior company performance. From literature based on an opportunity and resource-based view of entrepreneurship, the differences between an entrepreneurial and an administrative management style will be discussed. The concurrent management of entrepreneurial and administrative styles is important for growing firms. A generalized model describing stages of company growth through differing periods of evolutionary and revolutionary change will be presented and applied to lululemon. As companies grow certain administrative controls are necessary. These controls have been cited as tending to stifle the entrepreneurial spirit of a company. The section on preserving entrepreneurship in growing companies offers some ideas on how companies can maintain entrepreneurship while growing. Lastly, literature on corporate entrepreneurship with specific emphasis on middle managers will be presented. Middle managers are in direct contact with both upper and lower levels of an organisation. Due to this integral position, it is suggested that middle management participation in corporate entrepreneurship initiatives is imperative, and to a large degree, determines its success.

This brief description of the study’s theoretical framework provides background into the following areas of research:

- An exploration of the entrepreneurial orientation concept
- An assessment of management style proclivity
- Ambidextrous management functionality within the entrepreneurial orientation and entrepreneurial management concepts
- The challenges faced by a rapidly growing company
- The importance of middle management corporate entrepreneurship initiatives

There are three empirical studies exploring these research areas. The first study is an assessment of entrepreneurial orientation (EO). The EO scale created by Miller (1983) and adapted by Lumpkin and Dess (1996) is arguably the most reliable and best measure of firm-level entrepreneurship (Wiklund, 1999). This study measures a firm-level, middle manager perspective of entrepreneurship. The second empirical study is also aimed at middle managers. It assesses management style proclivity between an entrepreneurial style and an administrative style. An established empirical study measurement produced by Brown et al. (2001) will be utilized to determine management style. The third study presents a recombination of the Brown et al. (2001) instrument and will assess an ambidexterity management element. The background explaining the empirical studies is supplied in the ‘Critical Theoretical Highlights’ section.

The ‘Results and lululemon Applications’ section will analyse the information gathered from the empirical studies and relate it to the presented literature, providing some insight and recommendations directed towards lululemon. A novel contribution to the current EO construct will also be introduced. Finally, the limitations and conclusions of this study will be presented.
Below is a figure displaying the map of this thesis:

- **Company Description**
- **Problematisation**
- **Critical Theoretical Highlights**
  - **Entrepreneurial Orientation**
  - **Entrepreneurship And Management Style**
  - **Preserving Entrepreneurship with Growth**
- **Corporate Entrepreneurship**
- **Empirical Studies**
- **Empirical Results and lululemon Applications**
- **Limitations and Conclusions**

Figure 1-1 Thesis Map
(Source: Author)
2 Critical Theoretical Highlights

This section is presented to provide the necessary theoretical insight into the problematisation discussion, background into the entrepreneurship topic for lululemon location managers, and to explain the constructs of the empirical studies. At particular interest points, clarification will be supplied describing entrepreneurial concepts within a lululemon context and when possible, specifically relate explanations towards an individual retail location manager perspective.

2.1 Entrepreneurship Introduction

The earliest definition of *entrepreneurship* and creator of the term 'entrepreneur' originates with Richard Cantillon (1734), an economist who was interested in the economic role entrepreneurs represent (Stevenson and Jarillo, 1990). “According to Cantillon, the entrepreneur is a speculator in search of profit from arbitrage, from buying at a certain price and selling at an uncertain price” (Sciascia and De Vita, 2004, p. 21). According to Sharma and Chrisman (1999), a study conducted by Gartner (1990) identified two schools of thought on the meaning of entrepreneurship. More popular, and of particular importance in this study, is the groundwork laid by Schumpeter (1934). To Schumpeter, “an entrepreneur is a person who carries out new combinations, which may take the form of new products, processes, markets, organisational forms, or sources of supply”. Entrepreneurship is, then, the process of carrying out new combinations (Sharma and Chrisman, 1999, p.12).

Other views, in addition to the Schumpeterian view, are those of Gartner (1988) who offers entrepreneurship as the creation of organisations (Sharma and Chrisman, 1999). Another important consideration is the work of Kirzner (1973). Kirzner proposes: “entrepreneurship is the consequence of innovations designed to exploit opportunities afforded by economic disequilibrium” (Sciascia and De Vita, 2004, p. 26). Kirzner also believes that the entrepreneur reduces “social waste” by exploiting unseen opportunities through the re-organisation of resources in a more efficient way (Sciascia and De Vita, 2004).

Until recently, entrepreneurship and organisations were distinct areas of study. However, the works of Burgelman (1983), Pinchot (1985), Stevenson and Jarillo (1990), Murray (1984), and Hitt et al. (2002) respectively spawned the concepts of ‘corporate entrepreneurship’, ‘intrapreneurship’, ‘entrepreneurial management’, ‘entrepreneurial strategy’, and ‘strategic entrepreneurship’ linking the two domains (Sciascia and De Vita, 2004). The above concepts have married entrepreneurship and organisations, touting their importance, significance, and productiveness.

Sharma and Chrisman (1999) acknowledge that what is included in the definition of entrepreneurship will be a continuing debate. The lack of a single clear definition is most likely due to the complexity of the topic and the wide range of disciplines entrepreneurship can exist within (Sciascia and De Vita, 2004).

Due to the reflection of Sharma and Chrisman (1990) it is essential to frame the entrepreneurial definition that is preferred and will be used in this paper. This definition is:

“*The scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited. Consequently the field involves the study of sources of opportunities; the process of discovery, evaluation and exploitation of opportunities; and the set of individuals who discover, evaluate and exploit them*” (Shane and Venkataraman, 2000, p.218).
2.2 Entrepreneurial Orientation

*Entrepreneurial orientation (EO)* is a business strategy companies invoke to assist in the search and pursuit of opportunities. “It represents a frame of mind and a perspective about entrepreneurship that is reflected in a firm’s ongoing processes and corporate culture” (Dess and Lumpkin, 2005, p. 147). “An entrepreneurial orientation may be viewed as a firm-level strategy-making process that firms use to enact their organisational purpose, sustain their vision, and create competitive advantage(s)” (Rauch et al., 2004, p. 164).

The widely accepted dimensions of EO were developed initially by Miller (1983). To Miller (1983) an entrepreneurial firm is one that “engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch” (Miller, 1983, p. 771). From this development, he contributes: innovativeness, risk-taking, and proactiveness to the EO construct. Further EO dimensions established by Lumpkin and Dess (1996) are: competitive aggressiveness and autonomy. Thus, there are five dimensions that comprise EO: innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy. Explanations of these constructs are provided below and are linked to lululemon.

2.2.1 Innovativeness

*Innovativeness* reflects a “firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin and Dess, 1996, p. 142). Kimberly (1981) states that: innovativeness represents a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art (Lumpkin and Dess, 1996). Rauch et al. (2004) describe innovativeness as the “predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes” (p. 165).

4 Innovativeness within lululemon, as the definition highlights, can take many forms. New ideas would include new garment designs motivated through educator or guest feedback. Experimentation can be realized through a decision to restock a retail store in a way other than it is always done. Creativity can relate to educating each new guest at the pant wall differently.

2.2.2 Risk-taking

*Risk-taking* refers to a “firm's willingness to seize a venture opportunity even though it does not know whether the venture will be successful and to act boldly without knowing the consequences” (Dess and Lumpkin, 2005, p. 152). There are three categories of risk: business, financial, and personal. Business risk “involves venturing into the unknown without knowing the probability of success” (Dess and Lumpkin, 2005, p.152). Financial risk pertains to a company’s propensity to take on debt or allocate resources in order to grow. Personal risk refers to the “risks that an executive assumes in taking a stand in favour of a strategic course of action” (Dess and Lumpkin, 2005, p.152).

4 Examples in this thesis are provided to explain concepts are either constructed fictionally or are drawn from the author's personal experiences within lululemon.

5 The “pant wall” is the section within a lululemon store where the different athletic pant styles are displayed.
An example of risk-taking occurring at the individual lululemon store level could exist in the following situation:

In response to a new shipment of men’s clothes, Meghan⁶, the merchandising leader⁷ decides that she is going to construct a men’s hot wall⁸. This would be a bold decision by Meghan as the majority of lululemon sales mainly come from purchases made by women and much attention is paid to the hot wall by female guests. Meghan could not know what the probability of success would be, but she will never know unless she tries. The personal risk assumed by Meghan is that her idea may not turn out successfully for which she would be personally accountable. However, she believes that it could potentially work, so she constructs the wall.

2.2.3 Proactiveness


The first description of proactiveness (anticipating and participating in new markets) is satisfied by lululemon’s explicit growth strategy, pursuing the opportunity to move into new markets.

An example of proactive behaviour within a lululemon retail store could exist through this instance:

Heather, through her time at lululemon has established a good relationship with a returning guest. In a conversation during a visit, Heather learns that this guest has just started mountaineering. She also informs her that there are a growing number of people taking up the activity. The guest then describes what she needs to participate in the activity and Heather could not find the perfect garment for her. Reflecting upon the conversation, Heather decided to relay the information to her manager, Tiffany. Tiffany, to draw attention to this proactive behaviour relays the information during the next manager conference call⁹.

2.2.4 Competitive Aggressiveness

Competitive Aggressiveness refers to how “firms relate to competitors, that is, how firms respond to trends and demand that already exist in the market place” (Lumpkin and Dess,

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⁶ Names appearing in this thesis are taken from respondents participating in the empirical surveys. They are included in appreciation for their participation in this study and do not reflect actual instances or personal association to the described situations.

⁷ A “merchandising leader” is an individual in a lululemon store that is ultimately responsible for the displays and product placement within the store environment.

⁸ The “hot wall” is the section of the store which an entering guest would see first.

⁹ The “management conference call” is a biweekly conference call participated in by all managers and selected top management to discuss current issues and important information.
Competitive aggressiveness “refers to a firms’ responsiveness directed toward achieving a competitive advantage” (Lumpkin and Dess, 1996, p.148).

A good example describing this construct is lululemon’s education style of selling because it is exceptional from what competitors offer. The education style is a competitive advantage lululemon employs over competitors.

2.2.5 Autonomy

_Autonomy_ means having the ability and motivation to self-direct the pursuit of opportunity. Specifically applied to an organisational context, autonomy is action taken free from organisational constraints (Lumpkin and Dess, 1996).

Mellissa, the community leader\(^{10}\) notices that when she comes to open her mall location store, there are a number of people walking the halls for exercise before it opens. She recognizes this to be an opportunity and decides to organize a “Mall Walker Morning” event. She shares the idea with fellow educators and solicits their help to hand out water and offer encouragement in the morning to the mall walkers.

2.3 EO Constructs and Independency

It is important to mention that these five dimensions are independent and the balance and degree to which each are utilized is dependent on the firm, the industry, and the environmental specifics within which the firm resides. Empirical evidence strengthening the multidimensional construct argument comes from a meta-analysis\(^{11}\) study conducted by Rauch et al. (2004) where they conclude the existence of a multidimensional construct. An example of multidimensional use could be: in a mature, commodity-based company, innovation of new products may be of little use, however, this same company may be significantly aggressive towards competitors thus, this firm would have a lower innovative EO construct emphasis and a higher competitive aggressiveness EO construct emphasis. Furthering this point, Lumpkin and Dess (1996) propose: “the developments of numerous typologies of entrepreneurial behaviour suggest that an EO can be best characterized by several dimensions in various combinations” (p. 150). Moreover, they offer the following preposition:

“*The salient dimensions of an entrepreneurial orientation – autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness – may vary independently of each other in a given context*” (Lumpkin and Dess, 1996, p.151).

2.4 EO and the Individual

According to Russel (1999), “All entrepreneurial activities originate in the creative acts of individuals” (Kollmann et al., 2006, p.4). This quote places significant importance on the individuals within an entrepreneurial firm. Entrepreneurial organisations need individuals who are alert to opportunities (Kollmann et al., 2006). Individuals are more susceptible to

\(^{10}\) A “community leader” is a position given to an individual in a lululemon store that organizes store promotional activities and events.

\(^{11}\) A “meta-analysis” is a research method of study that combines many previous research studies to come towards to generalized conclusion on a certain hypothesis (Neill, 2006).
identify opportunities through their *opportunity recognition capabilities* (ORC), defined and outlined as: the individual’s prior knowledge of industries, markets, or customers (Kollmann et al., 2006). ORC, according to Baron (2006) are conditioned by intelligence, creativity, optimism, and perception of risk (Kollmann et al., 2006).

Whilst ORC of individuals in an entrepreneurial organisation are important, opportunity recognition in itself does not produce tangible result. An entrepreneurial firm needs individuals who act upon these recognised opportunities. According to Kollmann et al. (2006), this propensity is termed: *opportunity exploitation willingness* (OEW). The existence of these two aspects: ORC and OEW is in effect entrepreneurial behaviour, and are common criteria of many entrepreneurship and corporate entrepreneurship definitions (see above definition of Shane and Venkataraman, 2000).

Relating the two concepts of ORC and OEW in a lululemon context:

Sharlene, the inventory coordinator\(^{12}\) has realized that in her two years of employment at her lululemon location, they have never matched the demand for Scuba Hoodies\(^{13}\) by guests during the Christmas holiday season. Recognising an opportunity (ORC) she requests (OEW) as many Scuba Hoodies as allowable to prepare for the holiday season.

### 2.5 EO and the Environment

The environment a company inhabits has particular implications or insights into the degree of entrepreneurial orientation the company will posit (see Covin and Slevin 1991). Organisations can be influenced by their environment, responding through change or can influence their environment, through the introduction of new products or entry into new markets (Kollmann et al., 2006). Covin and Slevin (1991) found that “entrepreneurial posture\(^{14}\) is more positively related to firm performance among firms in dynamic environments than among firms in stable environments” (p.12).

Kollmann et al. (2006) propose four environmental conditions that lead an entrepreneurial organisation to superior performance: environmental dynamism, heterogeneity, hostility and abundance. *Dynamic environments* are characterized by having high rates of change, rapidly growing, and opportunity rich. *Heterogenetic environments* according to Zahra (1991) are “marked by multiple market segments with diverse customer characteristics and needs” (Kollmann et al., 2006, p.7). *Hostile environments* “demonstrate high levels of rivalry between industry competitors” (Kollmann et al., 2006, p.7). *Abundance* deals with the availability and access to resources needed to exploit opportunities.

The lululemon environment correlates strongly with the descriptions of dynamic and heterogenetic environments. lululemon guests’ participate in diverse activities and require appropriate garments to participate in these activities. The lululemon environment does include hostility and abundance, however, to a lesser extent. lululemon seems to focus more on itself than on what the competition is doing.

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\(^{12}\) An “inventory coordinator” is a position within a lululemon store that controls the inventory function.

\(^{13}\) A “Scuba Hoodie” is a popular garment produced by lululemon.

\(^{14}\) “Entrepreneurial posture” is a term used to describe how a firm relates itself to entrepreneurship (Covin and Slevin, 1991).
2.6 Aligning and Managing EO: Ambidexterity

Two questions are posed with regard to ambidexterity:

“How much entrepreneurship is recommended for lululemon?”

Should individual location managers at lululemon aim at an exceptionally high overall EO or would it be better to manage the five dimensions of EO separately and to changing degrees?”

(Based on Kollmann et al., 2006, p.10)

Lumpkin and Dess (1996) contributed to Miller's (1983) introductory EO work of innovativeness, risk-taking, and proactiveness adding competitive aggressiveness and autonomy initially producing a unified EO construct believed to improve performance. Recently, Dess and Lumpkin (2005) provoke independency of the five criteria promoting individual balance among the inclusive factors. Due to this proclamation, Kollmann et al. (2006) speculate that the EO construct should be transformed into an ambidexterity construct.

Ambidexterity is the dual management of seemingly opposing tasks which forces managers to accept the challenge of paradox management (Tushman and O'Reilly, 1996). Opposing tasks would be the management of: efficiency vs. flexibility, differentiation vs. low-cost strategic positioning or global integration vs. local responsiveness (Kollmann et al., 2006). Of particular importance to this study are the ambidexterity relationships of: a high EO or low EO. Ambidextrous management seeks to balance opposing poles on a single continuum while simultaneously allowing the importance and necessity of co-existence. Strengthening the validity of this suggestion, Kollmann et al. (2006) cite the initial empirical findings of Gibson & Birkinshaw (2004) “who claim that firms, which master this balance effectively, have indeed a competitive edge over companies merely focusing on either exploitation (i.e. bureaucratic management) or exploration (i.e. EO)” (p.9).

Linking empirical findings and theory towards some practical application, Lumpkin and Dess (2001) find that “innovativeness, pro-activeness, and autonomy are positively related to performance, while risk taking and competitive aggressiveness are not” (Kollmann et al., 2006, p. 9). However, a more recent study (Rauch et al., 2004) revealed that innovativeness, proactiveness, and competitive aggressiveness have significant relation to performance. Therefore, an ambidextrous manager would be advised to regulate their EO in a corresponding fashion; placing a higher emphasis on innovativeness and proactiveness and tailoring autonomy and competitive aggressiveness towards their firm’s structure and environment while minimizing risk exposure. Caution should be exercised as focusing too much on a single construct may lead to instability.

To characterize a lululemon ambidextrous manager, the above ‘innovation’ individual EO construct example will be utilized:

Chantal, a location manager has assembled a group of intelligent, motivated, and personable educators. Chantal knows the core values of lululemon and adheres to their principality. She wonders on how to install and motivate her educators towards entrepreneurship. Chantal has recently learned that a good basis for installing entrepreneurship is through utilizing the constructs of EO, which consist of: innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy. When thinking about being innovative, she decides one morning to restock
the store in a different way than usual. Her fellow lemons\textsuperscript{15} ask the reason why they are restocking this way and she explains that she wants to try some different ways of restocking the store for two weeks to see if they can do it more efficiently. She furthers this effort by soliciting the opinions of all the lemons in the store to see if they can come up with a faster and more efficient way to restock the store. After the two week trial period Chantal seeks out the information learned from the restocking innovation effort and determines the most efficient way. Chantal however, does not advocate this re-stocking practice as an ongoing occurrence because it would certainly lead to inefficiency and disorder. In response to this restocking exercise, other lemons come to Chantal offering ideas on other store operation innovations. Periodically she acts upon some of the ideas.

Concluding this discussion on ambidexterity, in the hypothetical example described above, Chantal utilized the EO construct of innovation, and as a result she received other ideas regarding other operational innovations. If Chantal had a high EO posture she would advocate and execute all of the presented and potential innovation ideas. If she had a low EO posture she would be satisfied just maintaining the status quo, operating the location as it always has operated. However, as Chantal is an ambidextrous manager, she managed a balance between a high EO and low EO by periodically instituting innovative ideas in an effort to improve her location.

Changing EO emphasis is also an important aspect of ambidextrous management. lululemon experiences a very busy Christmas holiday season. Chantal, utilizing her ambidextrous capabilities would not implement exploratory innovative behaviour during this busy period, she would focus an executing established operations effectively. Therefore, emphasizing the innovation construct less than normal. She probably would, however, emphasize proactive behaviour, taking note of instances where operations could be improved during busy periods. This is one example where changing EO emphasis could be employed, the main point is: EO constructs should be emphasized and de-emphasized according to situational requirements.

\textsuperscript{15} “Lemons” refers to lululemon coworkers.
Above is a diagram from Kollmann et al. (2006) that illustrates ambidextrous management. The diagram details the advice presented by Kollmann et al. (2006) emphasising innovativeness and proactiveness and tailoring the other dimensions according to need. This figure can be practically used by lululemon as a gauge to manage individual store location EO construct values. After reviewing the results of the first empirical test (EO) individual store locations are able to plot their response values on the pentagram and determine where their construct emphasis lies.

A further discussion on ambidexterity of management style will follow later in the thesis but the introduction of ambidexterity and the relation between EO and ambidextrous management of EO is important to consider and mention at this juncture.

### 2.7 Entrepreneurial Orientation and Performance

There are mixed opinions on the relationship between entrepreneurial orientation and performance. Zahra et al. (1999) suggest that there is substantial evidence for a link between EO and performance and that firms with EO achieve superior performance. In contrast to this declaration by Zahra (1999), a recent meta-analysis of 37 empirical studies (Rauch et al., 2004) shows EO only to be moderately linked to performance (Kollmann et al., 2006). Hart (1992) “sees possible negative consequences of EO and hypothesizes that entrepreneurial and intrapreneurial strategy-making modes are likely to lead to lower rather than higher performance” (Wiklund, 1999, p. 37).

Due to these divergent opinions, it may be worthwhile to understand the relationships between some of the moderating factors (shown below) that affect the EO-performance relationship.
• “EO and performance are moderated by the opportunity recognition capabilities (OCR) of a firm’s employees.
• EO and performance are moderated by the opportunity exploitation willingness (OEW) of a firm’s employees.
• EO and performance are moderated by a firm’s environmental setting. Firms in a dynamic, heterogeneous, hostile and abundant environment will profit more from EO than those in a stable, homogeneous, benign and scarcity context”.

(Kollmann et al., 2006, p.5, 7)

An organisation’s ability to positively align itself with these three factors will determine the level of performance they will experience. For example, if a firm’s employees recognize and exploit many opportunities they have the potential to perform better. If this same firm resides in a dynamic environment where opportunities are abundant and they exploit them effectively the firm will further enhance their potential for improved performance.

The discussion presented to this point explains the concept of entrepreneurial orientation (EO) and relates some of the individual constructs of EO to lululemon. The EO concept forms the base needed to understand the results and implications of the empirical EO survey distributed to lululemon’s individual store location managers. The results will be discussed later in the ‘Empirical Results and lululemon Applications’ section.

2.8 Entrepreneurship and Management Style

This section provides the required background for the second and third empirical studies and also provides further perspective into the entrepreneurship concept. An ambidexterity discussion concludes this section.

2.8.1 Introduction

“Entrepreneurship involves the ability and desire to recognize and pursue opportunity” (Stevenson and Jarillo-Mossi, 1986, p.10). An entrepreneurial opportunity must satisfy two criterions: “it must represent a desired future state, involving growth or at least change; and the individual must believe it is possible to reach that state” (Stevenson and Gumpert, 1985, p.86).

Of particular relevance to this study and directly to this entrepreneurship and management style discussion, is the opportunity and resource based view of entrepreneurship provided by Howard Stevenson. Stevenson views entrepreneurship as an “approach to management defined as: the pursuit of opportunity without regard to resources currently controlled” (Stevenson, 1983, p. 10). Stevenson also believes that entrepreneurial value creating processes can take place in any type of organisation (Brown et al., 2001).

2.8.2 Entrepreneurial Management and Administrative Management

Entrepreneurial management is how Stevenson sees entrepreneurship taking place within an organisation. His view postulates a dichrotistic view between two poles: promoters and trustees. Promoters are characterized by, and lie on, the entrepreneurial side of the spectrum. A promoter pursues and exploits opportunity regardless of the resources under control. They are the type of manager “who feels confident of his or her ability to seize opportunity” (Stevenson and Gumpert, 1985, p. 86). Relating this to Kollmann et al. (2006),
this manager would possess positive opportunity exploitation willingness (OEW). Trustees, in contrast to promoters, are characterized by administrative management behaviour. A trustee is characterized by a wishful inclination to remain adhering to the status quo (Stevenson and Gumpert, 1985). For a trustee, “predictability fosters effective management of existing resources while unpredictably endangers them” (Stevenson and Gumpert, 1985, p. 86). This personality type would not have a positive OEW.

Furthering this entrepreneurial management behaviour discussion of promoters and trustees, Stevenson explains eight dimensions which serve as assessment criteria for the empirical scale. The dimensions are: Strategic Orientation, Commitment to Opportunity, Commitment of Resources, Control of Resources, Management Structure, Reward Philosophy, Entrepreneurial Culture, and Growth Orientation (Stevenson, 1983; Stevenson and Gumpert, 1985; Stevenson and Jarillo-Mossi, 1986; Stevenson and Jarillo, 1990).

Strategic orientation describes the factors that drive the firm’s formulation of strategy (Stevenson, 1983). The factors driving a promoter are those opportunities that are created by the external environment. The resources necessary to exploit these opportunities are thought about after the opportunity is discovered. A trustee’s focus is on the resources already controlled by the firm. Opportunity is sought within the confines of currently controlled resources.

A promoter is “action oriented and able to commit and decommit to the action rapidly” (Brown et al., 2001, p. 955). The contrasting trustee is “analysis oriented and as a result of multiple decision constituents, negotiated strategies, and an eye toward risk reduction, their behaviour tends to be slow and inflexible” (Brown et al., 2001, p. 955). If an opportunity were to be identified (ORC) a promoter would be more likely to pursue it than a trustee.

An entrepreneurial management (promoter) perspective on commitment to resources is that of multi-staged commitment with minimal commitment throughout those stages (Stevenson, 1983). An administrative management (trustee) perspective on commitment to resources is an analytical process, when finally making a pursuit decision, resources are committed heavily and at the beginning of the pursuit (Stevenson, 1983).

For a promoter, “all they need from a resource is the ability to use it” (Stevenson, 1983, p. 15). Entrepreneurs tend to choose resources wisely depending on their overall need for employment. A trustee would rather own and control their resources (Brown et al., 2001).

An entrepreneurial management structure could be characterized as: organic. Organic structures tend to be flat and informal in their communication styles. Employees in this organisation desire independence and are unconstrained from administration allowing them to create and seek opportunity (Stevenson, 1983; Brown et al., 2001). An administrative structure is organized in a more formal and hierarchical fashion. Authority and responsibilities are clearly defined, facilitating control (Stevenson, 1983).

Entrepreneurially managed firms are “focused on the creation and harvesting of value” (Stevenson, 1983, p. 18). Because of this focus, promoter firms compensate and reward based upon value creation (Stevenson, 1983; Brown et al., 2001). Administratively managed organisations compensate based upon the amount of responsibility or control an individual procures (Stevenson, 1983).

Promoters for the most part feel unconstrained while opportunity seeking. This creates a culture where ideas, creativity, and experimentation are valued and emphasized (Brown et al., 2001). Trustees are constrained by the resources that they have under control. It fol-
ollows that starting from this point; an administratively managed firm that begins from a constrained opportunity base will discover fewer opportunities.

Stevenson and Gumpert’s (1985) definition of an opportunity clarifies the need to satisfy the criterion of growth and self efficacy\textsuperscript{16}. Characterizing promoter and trustee self-efficacy behaviour in relation to growth, it could be reasonably assumed that a promoter would favour rapid growth and firmly believe that it could be attained while a trustee would favour slower, eventual growth due to his comfort in maintaining the status quo (Brown et al., 2001).

Stevenson’s entrepreneurship thoughts are similar to the previous EO discussion through both concepts emphasis on opportunity identification and exploitation. The particular EO constructs of innovation and proactiveness would characterize general ‘promoter’ activities. The degree and practice of an autonomy construct would determine how entrepreneurially structured a firm is. An entrepreneurially orientated risk-taking construct could be reflective of the ignorant stance Stevenson takes regarding resources (Stevenson, 1983). The search for opportunity without regard for the resources controlled could characterize risk-taking behaviour. What Stevenson’s view provides to this entrepreneurship discussion is a description of how these entrepreneurial actions are facilitated through the management activities and organisation of a firm.

### 2.8.3 Management and lululemon

Stevenson emphasizes that “thinking entrepreneurially is an essential part of any manager’s role” (Sahlman et al., 1999, p. 1) and offers the previously mentioned eight dimensions as guidelines on how to think and behave entrepreneurially and administratively.

Stevenson’s view is important to individual lululemon retail location managers for a number of reasons. Stevenson’s distinction between the two management extremes of entrepreneurship (promoter) and administration (trustee) allows a manager to assess which style they wish to emulate and how they want to practice management within their location.

As lululemon advocates entrepreneurship as a company value, its management style would most likely fall on the promoter side of the management spectrum. Further support of a promoter inclination is seen in the company’s mission statement: “to elevate the world from mediocrity to a place of greatness” (lululemon, 2007). The characterization of a trustee includes an adherence and propensity towards maintaining the status quo, which is not aligned with the intentions of the company’s mission statement. A promoter style that emphasizes an external focus towards opportunity seeking, quick responses to opportunities, a participative management style with respect to idea generation and feedback, and the general installation of a change culture desiring an improved future state would be much more aligned with the lululemon mission statement. Jack Welsh, CEO of General Electric was quoted stating: “winners will be companies that have developed cultures that instead of fearing the pace of change, they relish it” (Tushman and O’Reilly, 1996, p. 20). Individual store managers that instil this change culture, assisted through an entrepreneurial management style, according to Welsh, have a better chance to succeed.

\textsuperscript{16} “Self efficacy” is defined as people’s beliefs about their capabilities to produce designated levels of performance (Bandura, 1994).
The last implication to highlight for the individual store manager is Stevenson’s ignorant stance towards resources. Resources directly under the control of an individual store manager to a certain extent are limited, however, this should not be a limiting factor. Focus should be concentrated on opportunity recognition (ORC). The resources needed to pursue an opportunity should be procured based on an opportunity’s merit and possible contribution to the individual store location and to the greater lululemon organisation.

2.8.4 Ambidexterity Management: Managepreneurs and Paradox

An already common theme in this thesis is ambidexterity. Citing Kollmann et al. (2006) for a definition of ambidexterity, ambidexterity is: “the dual management of seemingly opposing tasks which forces managers to accept the challenge of paradox management” (p.8). Stevenson suggests that both management styles have a place in management practice.

The concept of ambidexterity is closely aligned with paradox management. To gain some perspective of what is meant by paradoxes Quinn and Kimberly (1984) provide these generalized examples: “flexibility vs. stability, internal vs. external, means vs. ends, and individual vs. organisation” (Marsh and Macalpine, 1999, p. 643). Being ambidextrous is a way managers manage organisational paradoxes. According to Rivkin and Siggelkow (2003), managing the balance between two opposing needs, such as the balance between opportunity search and stability, contribute to the success of a firm.

In regards to Stevenson’s suggestions on management style there is a school of thought that blends these two poles of entrepreneurship and administration. In Holmquist (2006), a study of six successful Swedish entrepreneurs and their companies was conducted and tested in part the degree and relation of Stevenson's Entrepreneurship and the entrepreneurial and administration management styles. The study revealed that in all six cases entrepreneurial management and administrative management styles were utilized and co-existed successfully. Holmquist titles the integration of both management styles: “managepreneurs”. This term describes the findings of the paper in which entrepreneurs described themselves as “working towards an integration of the conflicting focuses of entrepreneurship and (administrative) management – they bridge the gap implied in ‘entrepreneurial management vs. administrative management’ and substitute it with ‘entrepreneurship and administrative management’” (Holmquist, 2006, p.10).

Holmquist (2006) poses the question: why would entrepreneurs want to integrate entrepreneurship and (administrative) management? Holmquist’s (2006) response is that entrepreneurs are driven by a need to develop all aspects of their business and are not short term oriented. Adding to this reply, entrepreneurs will morph into managepreneurs with the growth of their business, recognizing the necessity of an administrative function. Morphing into a managepreneur is further strengthened if the entrepreneur commits to long-term longevity and success for their business.

Holmquist (2006) suggests that entrepreneurial and administrative management behaviour presented by Stevenson can exist in the same person and that the dichotomized view of entrepreneurial vs. administrative management may be a theoretical construct and not necessary true in practice.

A limited empirical study, presented later, will assess how some lululemon individual locations are managed, either with a promoter (entrepreneurial) or a trustee (administrative) partiality. The examination will assess the partiality through the previously developed Operationalization of Stevenson’s Entrepreneurship published by Brown et al. (2001) and
through an alternative empirical instrument developed in this thesis; the existence of ambi-
dextrous management within Stevenson’s concept will be hypothesized.

\section*{2.9 Company Growth: Evolution and Revolution}

Holmquist (2006) points out that in a study conducted by Meyer, Neck, and Meeks (2002) which reviewed 1,500 articles published in the Strategic Management Journal and Journal of Business Venturing, the literature published dealt significantly with growth. However, growth was studied exclusively from either a new, small company in need of strategic thinking point of view or an old, large company viewpoint needing entrepreneurial renewal thinking. The particular instance of a new, small firm expanding into a large established one is not widely studied in the literature, which increases the relevance of this thesis’ study.

The resulting consequence of this lack of literature affords differing viewpoints and specu-
lations from strategic, entrepreneurial, and administrative management scholars on how to effectivley deal with the transition from a small company, to a growing company, and ultimately to a large company. The model developed from meta-research in Greiner (1998), with accompanying support from Tushman and O’Reilly (1996) and Flamholtz and Randle (2000), is useful to explore this issue as it relates to lululemon.

Due to the generalized nature of models, all companies will not exactly fit, however, this particular model (Greiner, 1998) has been selected due to its popularity and close fit with the growth process of lululemon to date. It provides a good analytical framework to work from and highlights some critical issues and associated challenges of rapid growth.

Greiner (1998) introduced his model by first citing: “in a haste to grow and realize the benefits of growth, companies overlook critical development questions including: ‘where has our organisation been?’ ‘where is it now?’ and, ‘what do these mean for where we are going?’” (Greiner, 1998, p. 55) Greiner (1998) believes that the future of a company is primarily determined by its past experiences, specifically, the past problems encountered and the solutions created.

In researching the area of company growth Greiner (1998) has come up with five common aspects that act as growth stage determinates: “age, size, stages of revolution and evolution, and the growth rate of the industry” (p. 56).

Below is an illustration of Greiner’s (1998) growth stage determinates:
Through organisational age, Greiner (1998) finds that organisational practices are not maintained over time, management problems and principals are rooted in time. For example, at a certain point in time a decentralization structure may be the key to success, at others it may hinder success (Greiner, 1998). Also associated with the age of an organisation, comes managerial attitude institutionalization, that is, the older an organisation is the more institutionalized management practices become and the more difficult they are to change. Within this institutionalization concept, Tushman and O’Reilly (1996) cite the development of structural and cultural inertia within companies. Structural inertia can be broadly defined as the way a company flows, its structures, systems, procedures, and processes. Cultural inertia is: the shared expectations about how things are done, including the informal systems, values, social networks, myths, and stories (Tushman and O’Reilly, 1996). These two concepts according to Tushman and O’Reilly (1996) become stronger as a company grows and as it is successful.

Greiner (1998) believes that as a company grows in size and the number of employees and sales volume increases, proportionately so does the number of problems and accompanying solutions. Some common problems are: coordination, communication, control, new job functions, and multiplication of hierarchical management levels (Greiner, 1998).

Stages of evolutionary growth are periods of growth that are marked by only incremental changes that require only small managerial adjustments. The impact of these changes does not require significant organisational adaptation. Stages of revolution are periods of substantial turbulence that occur in between evolutionary periods. “Critical tasks for management in revolutionary periods is to find a new set of organisational practices that will become the basis for managing the next period of evolutionary growth” (Greiner, 1998, p. 58). It is with this ‘management task’ where management experiences the irony (or paradox) of seeing a major solution in one period become a major problem in a later period (Greiner, 1998). Evolutionary speaking, incremental change can be absorbed and will not significantly affect the firm but, revolutionary change (or discontinuous change) causes the pre-
structural inertia to change, as to which resistance can be assured (Tushman and O'Reilly, 1996).

The growth rate of the industry will determine the rate at which companies experience revolutionary and evolutionary periods. A high-growth industry will experience revolutionary changes more frequently than a low-growth industry.

There are five phases of evolution and revolution. The evolution phases are: creativity, direction, advances, coordination, and collaboration. Between these phases are the revolutionary crises that are caused by the practices of the evolutionary stages, the revolutionary stages are: leadership, autonomy, control, red tape, and undetermined (Greiner, 1998).

Below is a figure depicting Greiner’s (1998) “Five Phases of Growth”, including the evolutionary and revolutionary stages discussed:

![Figure 2-4 The Five Phases of Growth](image)

The creativity evolution phase has emphasis on creating both a product and a market. At this stage a company is characterized as having a founding entrepreneur, communication is frequent and informal, work is demanding, and feedback is provided by the marketplace (Greiner, 1998). As growth ensues, these activities are no longer appropriate to manage the company. The addition of more employees can no longer be managed by informal communication, new recruits are not motivated by the intense dedication of the original members, and internal control functions have to be introduced. The first revolutionary crisis forms with a leadership question: ‘who will lead us out?’ This question realizes the need for a strong manager who has the necessary knowledge and skills to introduce the business techniques that will lead the organisation through the impending crisis (Greiner, 1998).
Once the phase one crisis is resolved and a strong manager is installed, the second evolutionary phase direction begins. This phase is characterized by functional organisational structure specialization, control through accounting systems, incentives, budgets, more formal communication, growth in hierarchy, and lower level managers are more treated as functional specialists than autonomous decision makers with their direction coming from higher management levels (Greiner, 1998). With these new functions in place, efficient growth occurs, however, this strategy later becomes inappropriate for controlling the now more diverse, spread out, and complex organisation. Lower level managers find themselves restricted due to the centralization and hierarchical structure. A situation evolves where operational managers know more about their market than higher managers causing asymmetries of knowledge. This generates the fuel needed to ignite the second crisis: autonomy. To solve this autonomy crisis, delegation of directive is given to the lower level managers. This crisis can cause two problems. Top managers that used to give directive try to adhere to the past centralized methods to maintain control and lower level managers not accustomed to charting their own directives, falter. As a result of these problems, some employees leave the organisation (Greiner, 1998).

The successful application of a decentralized structure brings further growth through an evolutionary phase of delegation. This stage assigns greater responsibility to lower level managers, uses bonuses to motivate employees, and management concentrates on aligning outside organisations that can be lined up with decentralized units (Greiner, 1998). Expansion is created through the motivation of lower managers facilitating further market penetration, faster customer response, and new products. However, due to the autonomous behaviour facilitated by the applied decentralized structure, top management feels they are losing control of the organisation and seeks to regain control. The next revolutionary period is born, control. The quest for control is attempted through a retreat to a former centralized structure, however, due to the now vast organisation, the attempt fails. The solution is a new special coordinated management structure (Greiner, 1998).

These first three stages of evolution and revolution provide sufficient background information to apply this model to lululemon. This point is most likely the moment lululemon currently holds. The balance of the model will be provided in Appendix A.

lululemon fits generally into these first three stages of Greiner’s (1998) model. It is at this point where assessing the questions: ‘where has the organisation been?’, ‘where is it now?’, and ‘what do these mean for where we are going?’ should be explored. lululemon has obviously aged and has experienced changes in management structures. lululemon has grown, adding new locations and additional staff members. Problems associated with these two aspects have probably been realized. Periods of evolution and revolution have been experienced, the growth rate determining the speed at which these periods have occurred.

lululemon’s creativity phase has been fulfilled. It closely mirrors the prescribed characteristics described in this model of product and market creation by an entrepreneur. The first evolutionary growth phase experienced has led lululemon to the first revolutionary crisis of leadership. lululemon’s solution to this problem was the introduction of Advent International and Robert Meers, the characterized ‘strong leader’ possessing the necessary skill set needed to direct the company into the next growth phase.

The successful installation of a strong leader has been implemented so the required systems, directives, and strategies solving the immediate revolutionary crisis are established. The company is now able to successfully navigate through the next evolutionary period. This moment is likely where lululemon is currently, the early part of the directive phase in-
stalling the necessary ingredients to experience the benefits of the direction stage. Greiner (1998) states the growth rate of the industry determines the rate at which evolutionary and revolutionary stages occur. After surviving a revolutionary phase a company can expect anywhere from four to eight years of evolutionary growth (Greiner, 1998). lululemon has survived the first revolutionary crisis and is now installing and preparing to experience a evolutionary period. This leads to answering the question: “what does this mean for where we are going?” If the model holds true, the next revolutionary phase will occur because of lower-level dissatisfaction due to the restrictions of a centralized, hierarchical structure. Autonomy will be sought from lower level managers, in lululemon’s case, individual store managers.

Advice on how to cope with the growth stages is provided by Greiner (1998). The first recommendation is “know where you are in the developmental sequence” (Greiner, 1998, p. 66). This question has been alluded to in the above analysis of Greiner’s (1998) model as it relates to lululemon (the early part of the direction phase). The second recommendation is to “recognize the limited range of solutions” (Greiner, 1998, p. 66). Solutions to previous revolutionary crises will not provide the necessary results to achieve the next growth stage. Management must be prepared to commit to the required change, even if it means destroying previous solution’s successes. The last recommendation is: “realize that solutions breed new problems” (Greiner, 1998, p. 66). This is a very paradoxical proposition. In lululemon’s next potential impending revolutionary turbulence of autonomy, it will be a result of the centralized structure created to realize the direction evolution phase. This experienced distress, however, is not entirely dire because if Greiner’s (1998) premise holds true, you can predict what is going to happen in the future depending on the solutions you have made in the past. This premise should enable a company to predict the next upcoming crisis and begin to make the necessary preparations or coping strategies in advance. Regarding lululemon’s next potential revolution stage of autonomy, preparations can be made in the form of giving individual store managers certain types of directive control over their stores, one example being, delegating the setting of individual store sales goals. This directive will begin to prepare individual managers in advance for possible future situations where it is advantageous for the company to adopt an autonomous or decentralized organisational structure.

This model has been presented to provide some insight into the growth stages of companies and to draw attention to the necessary management practices needed to successfully achieve growth. Top management within lululemon probably have a grasp on the different growth stages a company will go through but this information may be of use to individual location store managers. They should also understand the growth process, the implications of future stages, and their possible roles to aid in future company growth.

As companies grow they have to develop the structures and systems required to handle growth and increased complexity. Organisations have to periodically re-invent themselves by the adoption of new strategies and structures, which may mean destroying previous strategies and structures (Tushman and O’Reilly, 1996). “There is no one pattern for a successful transition from an entrepreneurship to a professionally managed firm. Whatever path is followed, the key to a successful change … is to recognize that a new stage in the organisation’s life cycle has been reached and that the former mode of operation will no longer be effective” (Flamholtz and Randle, 2000, pp.11-12). To achieve successful growth, Tushman and O’Reilly (1996) believe that “to remain successful over long periods, managers and organisations must be ambidextrous – able to implement both incremental (evolutionary) and revolutionary change” (p. 8).
2.10 Preserving Entrepreneurship as Companies Grow

When a company experiences success, it grows. As growth proceeds, certain administrative management controls must be incorporated into company management. These controls have been attributed to stifle the very entrepreneurial roots upon which a company was formed. The following suggestions of: increasing the perception of opportunity, building the desire to pursue opportunity, making people believe that they can succeed, and questions to ask as companies grow are provided to assist in the effort of preserving entrepreneurship as companies grow. lululemon implications are integrated into this section and will be presented where appropriate to highlight certain suggestions.

2.10.1 Increasing the Perception of Opportunity

At this point it is important to remember the discussion regarding entrepreneurship and the imperatives of recognition and pursuit of opportunity in the entrepreneurial process. An opportunity, is defined here as: “a possible action, deemed to be feasible, that leads to a desirable future state that is different from the present state” (Stevenson and Jarillo-Mossi, 1986, p.10).

Stevenson and Jarillo-Mossi (1986) offer four ways an organisation can facilitate this critical aspect: creating jobs with real-time market input, making individuals responsible for broadly defined objectives, balancing functional needs, and institutionalizing change so that it is desirable.

Jobs that have real-time market input are those that deal directly with the customer. Within every level of the organisation a customer focus is paramount. Inherent in the operations of lululemon is close customer interaction, the education style of selling products puts educators in direct contact with guests, facilitating a user feedback function. If guest information is captured appropriately, lululemon has a great opportunity to capitalize on this information base.

Making individuals responsible for broadly defined objectives simply means resisting the inclination of a growing firm to control decisions. At an individual store location manager level this function should be satisfied by managing in adherence to the company’s vision and mission statement. Functional units of an organisation include the human resources, marketing, and finance departments. Successful firms coordinate the coexistence of the varying activities of these units and ensure that no single function becomes dominant. One way lululemon stores can achieve balance is by the coordination of the inventory and merchandising functions. The inventory team can communicate with the merchandising team about recent shipments or possible store promotions in response to backroom overstock. “If an opportunity is defined as including a change, then only those organisations that desire change will recognize opportunity” (Stevenson and Jarillo-Mossi, 1986, p. 13). Change in this context means a certain degree of dissatisfaction with the current status quo, or satisfactory complacency. For lululemon this means, to name a few examples, continually thinking and changing how guests are educated, how store merchandising is conducted, and generally, what possible changes can be made to improve locations.

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17 A “recent shipment” is the upcoming products that are to be delivered to the store to sell.
2.10.2 Building the Desire to Pursue Opportunity

It has been suggested that not only is opportunity recognition a prerequisite for successful entrepreneurial behaviour but also the pursuit of these opportunities. An important role of the individual store manager is to instil a belief in each employee that it is in their best interest to pursue and act upon discovered opportunities. This can be done through rewards and by reducing the risk of failure (Stevenson and Jarillo-Mossi, 1986).

Rewarding the individual that ‘tried’ is essential. If you promote entrepreneurship, it follows that you have to promote opportunity recognition and the pursuit of opportunities. Promotion of a desired behaviour must be accompanied by some type of motivation, if not, it results in a disequilibrium of behavioural outcomes. Favourable behaviour is unlikely to be repeated if unnoticed, resulting in a detrimental outcome for the organisation (Stevenson and Jarillo-Mossi, 1986). For lululemon, rewarding an individual that proposes a potential opportunity does not have to be financial, it could just be through verbal recognition to one’s peers. Recognition and a feeling of organisational contribution provides, in most cases, adequate motivation.

Consequences of failure must not lead to dire consequences. Attempts should be recognized and rewarded. For example, in the previous example of the EO construct of risk-taking, the merchandising leader decided to make the men’s hot wall. Should this decision not turn out to be a success, the merchandising leader should not be stripped of her position. The decision should be evaluated and learned from with positive recognition for the attempt.

2.10.3 Making People Believe that they can Succeed

“Opportunities for the company will not be pursued unless the individuals within the organisation believe that it is a personal opportunity for themselves” (Stevenson and Jarillo-Mossi, 1986, p. 15). “As companies grow in complexity, the possibility of a huge reward for everyone tends to fade” (Stevenson and Jarillo-Mossi, 1986, p. 15). Due to these two statements, individuals within an organisation can be led to believe that initiatives have little chance to gain support. Motivation to pursue initiatives does not match the associated outcome and therefore initiatives are not explored. To mitigate this tendency in growing organisations, managers must allow and encourage people to experiment with their ideas. Individuals often have good ideas but have no way to prove that they are going to work. The opportunity and flexibility to try these ideas without risk to personal ego and reputation is critical (Stevenson and Jarillo-Mossi, 1986).

“Learning from failures is often more valuable than the profits and experience gained from marginal or sub marginal successes” (Stevenson and Jarillo-Mossi, 1986, p. 15). Failures in attempting to recombine resources, streamline, restructure, and change operational activities should not be reflected upon as wastes of resources. They should be learned from and reattempted in a productive manner.

2.10.4 Questions to Ask as Companies Grow

Entrepreneurial firms do not try and lose their entrepreneurial tendencies as they grow. However, with the necessity of certain administration functions, entrepreneurship gradually does start to erode (Stevenson and Jarillo-Mossi, 1986).
Stevenson and Jarillo-Mossi (1986) pose six questions that managers should keep in mind when making day-to-day management decisions. Two of these questions are of particular importance in this discussion:

“What kinds of failure is the company willing to accept?

How does the company assure continuous adaptive organisational change?”

(p.17)

Failure from a company perspective must be viewed as a learning experience. There are three types of failure: moral, personal, and uncontrollable. Moral failure is the most serious type of failure and is described as a violation of trust or societal rules. Instances of moral failure are “deception, thievery, or other moral transgression” (Stevenson and Jarillo-Mossi, 1986, p. 20). This type of failure must be dealt with seriously, it is an intolerable instance. Personal failure results from lack of skills, dedication or application of training. This is a mutual form of failure, with responsibility falling on management, as well as, the individual. Once the failure has occurred, the manager must understand why it happened and privately discuss the issue with the individual, setting forth a plan of rectification. Uncontrollable failure is caused by external influences and results from a misapplication of the information held at a decisions inception. This type of failure must be judged by the information available at the time the decision was made and not with after-the-fact knowledge. Consequences should be assessed with options of: praise, reward, and encouragement (Stevenson and Jarillo-Mossi, 1986).

“The purpose of maintaining an entrepreneurial spirit within an organisation is to better allow the organisation to pursue opportunity” (Stevenson and Jarillo-Mossi, 1986, p. 23). Opportunity inherently comes with change; change comes with new combinations of coordination, communication, and organisational structure (Stevenson and Jarillo-Mossi, 1986). Companies that preserve their entrepreneurship character instil and embrace a change atmosphere. It is this change atmosphere that assures a continuously adaptive successful company.

2.11 Corporate Entrepreneurship

The entrepreneurial theory and practical illustrations presented introduce this section on corporate entrepreneurship. This has been done to explain some particularly useful concepts of entrepreneurship and to provide practical value to the targeted sample of the empirical study, independent location managers within lululemon. Entrepreneurship, in this paper has been presented through what scholars would call a management approach to entrepreneurship. This management approach included the works of Miller (1983) contributing the entrepreneurial dimensions of innovation, proactiveness, and risk-taking; Lumpkin and Dess (1996) who add to Miller’s (1983) work contributing competitive aggressiveness and autonomy, and naming these concepts ‘entrepreneurial orientation’, Stevenson and Jarillo (1990) who describe entrepreneurship as a style of management, and lastly, an ambidextrous management function existing within both of these concepts. Corporate entrepreneurship can be thought of as the utilization of the above concepts in an organisational context in an effort to capture the entrepreneurial value produced and improve a company’s growth and performance. These concepts are some of the general prerequisites necessary for the successful application of corporate entrepreneurship initiatives.
This section will begin with a definition of corporate entrepreneurship, will then describe the general corporate entrepreneurship process, and finish with an explanation of the components comprising the process. Due to this study’s focus on individual location managers, the discussion will center on middle management contributions and the roles that they play in the process.

2.11.1 The Corporate Entrepreneurship Process

The preferred definition of corporate entrepreneurship used in this section is from Shane and Venkataraman (2000):

“Entrepreneurial behaviour is a comprehensive term that captures all actions taken by a firm’s members that relate to the discovery, evaluation, and exploitation of entrepreneurial opportunity”.

(p. 219)

Generally speaking, the corporate entrepreneurship process is described through the existence of entrepreneurial opportunities; the process of discovery, evaluation and exploitation of entrepreneurial opportunities; the features of individuals and organisations; and the outcomes of entrepreneurial efforts (Sciascia and Naldi, 2004).

2.11.1.1 Detection of Opportunity

The corporate entrepreneurship process begins with the detection of an opportunity. It is the individuals within an organisation that identify opportunities. The organisation’s role is to “put individuals in a position to detect opportunities, train them to do so and to reward them for doing so” (Stevenson and Jarillo (1990) in Sciascia and Naldi, 2004, p. 65). Entrepreneurial opportunities can be either market related, focusing externally towards the environment or firm related, emerging from a creative recombination of existing resources (Sciascia and Naldi, 2004). To identify market-related opportunities individuals must be aware of the external environment. If the organisation fulfills its role prescribed by Stevenson and Jarillo (1990) and individuals have an external focus on the market, entrepreneurial opportunities have the best chance for identification. Regarding the recognition of firm related opportunity, Jelinek (1976) suggests that firms should focus on ‘organisational learning’ (Sciascia and Naldi, 2004). Organisational learning could take the form of new administrative systems or other organisation inefficiencies that could be improved and made available to all members of the organisation (Sciascia and Naldi, 2004).

2.11.1.2 The Entrepreneurial Organisation

Generally, top-level management make the strategic decisions for a firm. Middle managers interpret, communicate, and implement the given objectives downward. They also relay information gathered from their responsible resources upward, providing a feedback or information loop within the organisation. As middle management controls the majority of information flow, their role is of pivotal importance to the success of corporate entrepreneurship practices. Sharing this belief of middle manager intricacy is Kanter (2004) who states: “because middle managers have their fingers on the pulse of operations, they can conceive, suggest, and get in motion new ideas top management may not have thought of” (p. 152).

To support the integral role middle managers play in corporate entrepreneurship, the larger organisation must provide certain support to facilitate and exploit middle managers potential contributions. According to Hornsby et al. (1999) there are five antecedences an or-
organisation should provide in an effort to facilitate middle management and their entrepreneurial behaviour:

- “management support (the willingness of top-level managers to facilitate and promote entrepreneurial behaviour, including the championing of innovative ideas and providing the resources people require to take entrepreneurial actions)
- work discretion/autonomy (top-level managers’ commitment to tolerate failure, provide decision-making latitude and freedom from excessive oversight, and to delegate authority and responsibility to middle-level managers)
- rewards/reinforcement (developing and using systems that reward based on performance, highlight significant achievements, and encourage pursuit of challenging work)
- time availability (evaluating workloads to ensure that individuals and groups have the time needed to pursue innovations and that their jobs are structured in ways that support efforts to achieve short- and long-term organisational goals)
- organisational boundaries (precise explanations of outcomes expected from organisational work and development of mechanisms for evaluating, selecting, and using innovations)”

(Kuratko et al., 2005, pp. 703-4).

Entrepreneurial firms are those that are able to balance and maintain order in new managerial approaches, innovative administrative arrangements, and facilitate the collaboration between entrepreneurial participants within the organisations they operate (Burgelman, 1983). To assist in this, Kanter (1985) suggests installing a system that involves broader defined jobs, structures built around small business units, and easy access to information, support, and resources (Sciascia and Naldi, 2004, p. 60).

The suggestions presented by Barringer and Bluedorn (1999) provide the following tactics entrepreneurial organisations should emphasize to influence entrepreneurial behaviour within their firm: continuous environmental scanning, high planning flexibility, high relevance of employee involvement in planning, high development of strategic control practices, and related systems for rewarding creativity and innovation.

Hambrick (1981) states: “environmental scanning refers to learning about the events and trends in the organisations environment” (Barringer and Bluedorn, 1999, p. 423). Scanning is important to managers because being proactive and learning about events and trends in one’s environment facilitates opportunity recognition, which positively relates to innovative developments. Scanning also facilitates the limiting of risk by reducing some of the uncertainty related to innovation (Barringer and Bluedorn, 1990).

Planning flexibility refers to a firm’s capacity to adjust in accordance with the changes produced by the environment. Flexible planning allows a firm to revise strategies quickly to pursue opportunities and to keep up with environmental changes. Together with environmental scanning, flexible planning results in a firm remaining current (Barringer and Bluedorn, 1990).

Organisations can be characterized as having either a shallow or deep locus of employee planning involvement. A deep locus has a high degree of employee involvement and a shallow locus has a low degree of employee involvement. One benefit of having a high degree of planning involvement is that it puts the people ‘closest to the customer’ into the planning process. Another is that it may facilitate and motivate opportunity recognition. Lastly, employee involvement increases the diversity of viewpoints considered in the planning process which may lead to better decisions (Barringer and Bluedorn, 1990).
Control systems in entrepreneurial firms must stimulate innovation, proactiveness, and risk-taking. There are generally two control methods in firms: strategic and financial. An entrepreneurial firm should emphasize strategic controls that reward creativity and the pursuit of opportunity through innovation (Barringer and Bluedorn, 1990).

### 2.11.1.3 Middle Managers' Entrepreneurial Behaviour

Kuratko et al. (2005) state: “Middle manager entrepreneurial behaviour is linked to successful corporate entrepreneurship” (p. 699). Dess, Lumpkin, and McGee (1999) note that “all organisations … are striving to exploit product-market opportunities through innovative and proactive behaviour” (Kuratko et al., 2005, p. 699). Research by Hornsby et al. (2002) suggests that middle manager behaviour is strongly linked to effective corporate entrepreneurship and effective entrepreneurial behaviour exhibited by middle managers is a necessary step to achieving various organisational goals such as, innovation and increases in profitability (Kuratko et al., 2005).

Some typical characteristics of effective middle managers are that they exhibit comfort with change, foresight to see unmet needs as opportunities, a participative management style, persuasiveness, persistence, and discretion. There is a strong association between innovative accomplishment and employing a participative collaborative management style. A collaborative management style utilizes: “persuading more than ordering, team building (through the use of frequent staff meetings and considerable information sharing), seeking input from others (asking for ideas about user needs and welcoming peer review), acknowledging others stakes in a project, and sharing reward and recognition” (Kanter, 2004, p. 158). Innovations and innovative accomplishments require staff sometimes to go ‘above and beyond’. This is more likely to happen when using a collaborative management style (Kanter, 2004).

Kuratko et al. (2005) describe a middle manager as existing in a three-factor model of entrepreneurship. The model includes: an entrepreneur, an entrepreneurial opportunity, and resources facilitating the entrepreneur to pursue the entrepreneurial opportunity. The function of this process is to “endorse, refine, and shepherd entrepreneurial opportunities and identify, acquire, and deploy resources needed to pursue those opportunities” (Kuratko et al., 2005, p. 705).

Middle management is in direct contact with upper and lower organisational levels. When potential entrepreneurial opportunities are identified by lower levels, middle managers can evaluate and endorse ideas to upper management.

Middle managers, in dealing with these opportunities from lower organisational levels, can refine the idea, contributing their perspective on how the idea could better fit into the organisation or provide greater value. They can also interpret the idea and structure it so it is better understood or accepted by higher organisational levels.

The shepherding function a middle manager performs pertains to how a lower level initiative is passed along to higher levels. Middle management can use their support networks to ensure that these initiatives gain momentum and the warranted attention.

Pursuing entrepreneurial opportunities must first originate in the identification of said opportunity. Once identified, resources needed to fulfil an opportunity must be procured. It is not necessary that the resources fall under the span of control of the middle manager but the knowledge and the availability to acquire these resources is an attribute middle management should possess.
The final role middle managers play in this process is deployment of resources. Pursuit of an opportunity is multi-faceted and is outlined in the following instances: “how amassed resources are configured to enact the initiative, how current resources are mobilized or otherwise leveraged in support of the initiative, the timing of the resources allocation process, and the level and type of resources allocated in pursuit of the opportunity” (Kuratko et al., 2005, p. 707). Middle managers play a large role in the deployment process.

2.11.1.4 Entrepreneurial Outcomes

There are two types of entrepreneurial outcomes that occur as a result of these described middle manager entrepreneurial behaviours and entrepreneurial organisation attributives: individual-level and organisational-level. These outcomes either have a positive, negative, or neutral effect.

Individual outcomes can be either intrinsic or extrinsic (Kuratko et al., 2005). Intrinsic outcomes “center on the satisfaction individuals receive as a result of developing their own ideas, from being more in control of their destiny, and from having some ultimate responsibility for the success of projects with which they are involved” (Kuratko et al., 2005, p. 708). Extrinsic outcomes are tangible and take the form of better financial performance or monetary rewards.

Important to fostering entrepreneurial behaviour in managers and the resultant outcomes is that: “managers (and employees) will choose to engage in entrepreneurial behaviour if they perceive that the outcomes received from their actions will meet or exceed their expectations” (Kuratko et al., 2005, p. 708). Also, according to Porter and Lawler (1968), the relationship between individual effort and performance is moderated by the individual skills, abilities, role perceptions, and the relationship between performance and outcomes. These instances affect whether or not an individual is likely to exhibit favourable entrepreneurial behaviour (Kuratko et al., 2005).

According to Hornsby et al. (1999), entrepreneurial successes within an organisation can be financial, yielding positive outcomes in sales, productivity, market share, reduced waste, and labour efficiencies or behavioural, measuring the number of ideas suggested, the number of ideas implemented, the amount of time spent working on new ideas, and the amount of time spent outside of normal channels to pursue an idea (Kuratko et al., 2005).

Important to the organisation and to middle manager participation in corporate entrepreneurship efforts is the perception of entrepreneurial efforts of top management. “Top-level managers must believe that entrepreneurial actions will lead to specifically desired organisational-level outcomes such as emergence of a pro-entrepreneurship culture, reestablishment of competitive tendencies, and enhancement of the firm’s innovation capability” (Kuratko et al., 2005, p. 709).

2.11.1.5 Model

This description of the middle management role in the corporate entrepreneurship process has been the inner workings of the model below:
A Model of Middle-Level Managers' Entrepreneurial Behavior

This model explains the organisational antecedents prescribed to encourage middle manager entrepreneurial behaviour, the individual and organisational outcomes this behaviour can have, and the resulting effect on corporate entrepreneurship.

A middle manager can have significant impact upon corporate entrepreneurship success. This model highlights important considerations that facilitate effectiveness of corporate entrepreneurship initiatives.

Although the link between corporate entrepreneurship and financial performance is debated, there is recent longitudinal empirical evidence that establishes a favourable relationship (Wiklund, 1999). Aside from financial performance there are several non-financial positive outcomes associated with corporate entrepreneurship practice, these include: increasing employee commitment and satisfaction, employee retention, and the creation of a positive organisational culture that emphasizes employee integration (Sciascia and Naldi, 2004).

This corporate entrepreneurship discussion has focused on middle management due to its relevance to lululemon. As companies grow, hierarchical organisational levels are added and administrative controls are needed to provide control and improve efficiency within a firm. These necessities can be detrimental to the entrepreneurial drive. Middle management (individual store location managers) within lululemon, reside between the upper level...
directive and the lower level customer awareness realms. Individual managers can relay assembled entrepreneurial contributions upward and implement directives downward within their locations. To aid in this process, upper levels must provide the necessary organizational antecedents to allow location managers to encourage and facilitate entrepreneurial behaviour within the lower level. Location managers must provide and encourage an atmosphere that promotes the detection and pursuit of entrepreneurial opportunities within their sphere of influence. Due to the significant position in this process individual location managers possess, they are integral to the successful implementation of corporate entrepreneurship initiatives and perhaps the general success of lululemon. If this process of corporate entrepreneurship practice is established, favourable outcomes in the form of growth, performance, and continual renewal should result.
3 Empirical Studies
This section describes the empirical studies of individual location managers at lululemon.

3.1 EO Empirical Study: Sample and Data Collection
This study assesses a widely dispersed sample of individual store location managers and regional managers within lululemon athletica, Canada. The entrepreneurial orientation (EO) empirical study sampled a targeted group of individual retail store location managers. In general organisational management terms, these store location managers are considered middle managers.

The empirical instrument was distributed via email. To facilitate the response, data collection, and data analysis processes an input form was created from the original EO instrument. The form allowed survey subjects to input response values directly into the attached email form and when completed, submit the form via email directly to the administer. Directions on how to complete and how to submit the form were provided on the front page of the survey. This process automated the data collection process for the administer, allowing the returned forms to be directly inputted into a computer application compiling and exporting the response data directly to Microsoft Excel for analysis.

The instrument was distributed to sixty-six individuals; forty-one responses were received, a sixty-two percent response rate. The respondents were ninety-seven percent female and generally between the ages of twenty to thirty years.

To test for reliability, Cronbach’s coefficient alpha measure was calculated. An alpha level greater than or equal to .70 is generally considered to be acceptable (Barringer and Bluedorn, 1999). The Cronbach alpha value for this survey was .82.

“Reliability is a form of validity” (Barringer and Bluedorn, 1999, p. 430). There are two other aspects of validity worthy of discussion: theoretical and observational meaningfulness and discriminate validity. “At a basic level, validity is established by developing measures from well grounded theory” (Barringer and Bluedorn, 1999, p. 430). Empirical studies conducted on EO theory, utilizing the same instrument distributed in this study, have proven to be consistent and predictable with regards to validity (Rauch et al. 2004). Wiklund (1998) has identified at least twelve empirical studies utilizing this scale and suggests that it is a useful instrument for measuring entrepreneurship (Brown et al., 2001). “Discriminate validity shows that a measure is distinct and empirically different form other measures” (Barringer and Bluedorn, 1999, p. 430). The survey instrument measures five distinct factors (constructs) of EO, therefore, a factor analysis should reveal the existence of five test factors. A factor analysis was conducted on this survey using principal component analysis with varimax rotation and revealed six factors. The empirical considerations of this finding will be discussed in the ‘Results and lululemon Applications’ section.

3.1.1 Measures
Entrepreneurial Orientation
In this study, the published articles of Miller (1983) and Lumpkin and Dess (1996) were utilized as the basis to assess the entrepreneurial orientation concept. The measuring scale consisted of the five EO criteria of innovation, risk taking, proactiveness, competitive ag-
gressiveness, and autonomy. This scale was used as it is a reliable and predictive measure of firm-level entrepreneurship (Rauch et al., 2004) and because the inherent EO constructs closely reflect many aspects of individual location manager behaviour.

**Performance**

Performance data was supplied by lululemon. An overall value was supplied and included the following factors: sales data, customer feedback, employee costs, shrink\(^\text{18}\), and community relations.

**Environmental Dynamism**

“Lumpkin and Dess (1996) believe the relationship between EO and performance is complex, incorporating other factors other than the ones measured by the EO scale. Zahra and Covin (1995) believe the competitive environment in which the company exists may be relevant” (Wiklund, 1999, p.42). The environmental dynamism measure in this study was included to gain some possible insight into a possible discrepancy of the perceived environment that individual store managers feel they compete in.

**Additional Control Variables**

In this study the sample of individual retail store locations of lululemon athletica, Canada is a control variable.

Access to financial capital is an issue that has been raised in other EO-performance studies. However, these studies have included a multiple firm sample. This study sampled one firm, therefore, equitable access to financial capital can be assumed.

A copy of the scale used is provided in Appendix B.

### 3.2 Operationalization of Stevenson’s Entrepreneurship and an Ambidexterity Implication

#### 3.2.1 Aim, Measures, and Study Description

To compliment the EO empirical study and to assess Stevenson’s Entrepreneurship perspective thereby obtaining a “complete assessment into firm-level entrepreneurship” as prescribed by Brown et al. (2001, p. 695) the Operationalization of Stevenson’s Entrepreneurship instrument produced by Brown et al. (2001) was distributed.

Stevenson’s Entrepreneurship instrument was tailored to measure the categories which would be most relevant to the job requirements an individual lululemon store manager would experience. The categories included: management structure, growth orientation, resource orientation, and entrepreneurial culture. The ‘strategic orientation’ and ‘reward philosophy’ categories were not included in the distributed instrument as they were perceived to be of limited use to individual location managers.

To assess a possible ambidexterity relationship within Stevenson’s Entrepreneurship management concept, an adaptation of the Brown et al. (2001) instrument was developed. The nature of Brown et al.’s (2001) instrument measures a dichotomized spectrum of manage-

\(^{18}\) “Shrink” is an inventory measure that calculates inventory loss.
The proposed ambidexterity instrument expands the Brown et al. (2001) scale utilizing the same measuring criteria but measures each criterion separately in an effort to capture the full degree to which each assessment question utilizes a particular management style. More simply, in the Brown et al. (2001) scale a respondent would choose a response between two poles. In the ambidexterity scale a respondent would choose the degree to which they practiced an individual style of management.

This study sought to evaluate if there was a discrepancy in the degree to which a respondent would answer a question relating to management style between the two measures. An example showing how the questions between the two instruments were separated is provided below:

This sample question is taken from Brown et al. (2001) (Stevenson’s Entrepreneurship).

<table>
<thead>
<tr>
<th>We prefer tight control of funds and operations by means of sophisticated control and information systems.</th>
<th>1 2 3 4 5 6 7 8 9 10</th>
<th>We prefer loose, informal control. There is a dependence on informal systems.</th>
</tr>
</thead>
</table>

This same question in the ambidexterity measurement instrument would look like the following:

<table>
<thead>
<tr>
<th>We prefer tight control of funds and operations by means of sophisticated control and information systems.</th>
<th>1 2 3 4 5 6 7 8 9 10</th>
</tr>
</thead>
</table>

| We prefer loose, informal control. There is a dependence on informal systems. | 1 2 3 4 5 6 7 8 9 10 |

If a respondent answered a “9” on the Brown et al. (2001) (Stevenson’s Entrepreneurship) scale they would be characterized as having strong entrepreneurial management proclivity, while having a lesser focus towards administrative management. If the same respondent filled out the ambidexterity scale they should answer a “2” and a “9” respectively to the ambidexterity instrument questions to be consistent with the Brown et al. (2001) instrument. Copies of the instruments used are included in Appendix C.

### 3.2.2 Sample and Data Collection

This study assesses a small selected sample of individual retail location managers within lululemon. The empirical instrument was distributed directly to the selected sample via email and was received upon completion through email. Again, to facilitate response, data collection, and data analysis an input form was created allowing survey subjects to input responses directly into the form and submit the form directly back to the administer.

The instrument was distributed to seven individuals. All of the surveys were returned. All of the respondents were female and between the ages of twenty to thirty.
No reliability or factor analysis was performed due to the limited sample size and the general exploratory nature of the experiment.
4 Results and lululemon Application

4.1 Entrepreneurial Orientation Study

One current problem with entrepreneurial research is that surveys are single respondent reliant. A reported eighty-seven percent of research studies send out one survey to the CEO of a company and attribute their response indicative of entrepreneurial activity within the entire firm (Zahra et al., 1999). According to Kuratko et al. (2005), middle managers are in a better position to evaluate and assess the level of entrepreneurial activity. This study has heeded this advice and, therefore, should provide an accurate assessment of entrepreneurial activities occurring within the lululemon organisation.

The results of the EO survey distributed to individual retail location lululemon managers indicated that lululemon, as a company is quite entrepreneurially orientated. The company average mean measures for the EO constructs of innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy were: 5.80, 4.94, 6.16, 4.35, and 4.74 respectively. All individual location results and statistical analysis’ are included in Appendix D.

EO results were separated to examine the differences between the positions of regional managers, managers, and assistant managers and their EO construct values. The results show that there is little variance between position values and all emphasize the same EO construction. The average means were displayed in the table below:

Table 4-1 Management Position Analysis
(Source: Author)

<table>
<thead>
<tr>
<th>Position</th>
<th>Innovativeness</th>
<th>Risk-Taking</th>
<th>Proactiveness</th>
<th>Competitive Aggressiveness</th>
<th>Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Manager</td>
<td>5.50</td>
<td>4.63</td>
<td>6.50</td>
<td>4.50</td>
<td>4.60</td>
</tr>
<tr>
<td>Manager</td>
<td>5.85</td>
<td>5.10</td>
<td>6.22</td>
<td>4.44</td>
<td>4.8</td>
</tr>
<tr>
<td>Assistant Manager</td>
<td>5.74</td>
<td>4.94</td>
<td>6.03</td>
<td>4.19</td>
<td>4.65</td>
</tr>
</tbody>
</table>

Analysis of the EO dimensions reveals that lululemon emphasizes innovation and proactiveness. The constructs of risk-taking, competitive aggressiveness, and autonomy, although entrepreneurial orientated, are emphasized to a lesser degree. This construct management aligns itself with the advice provided by Kollmann et al. (2006) and Rauch et al. (2004) as how companies should manage EO to achieve superior performance. They suggest that superior performance is achieved through an increased emphasis on innovation and proactiveness constructs. Further, competitive aggressiveness and autonomy should be tailored to firm structure and the environment. Finally, risk-taking should be minimized. The advice that risk-taking should be minimized may lead one to conclude that the risk level in individual lululemon locations is over emphasized.
In Figure 4-6 below, two individual location examples of a high EO and a low EO determined by the overall mean of the five EO dimensions are displayed. EO management in these cases could be improved. The lululemon company EO value constructs are also shown as a base comparison. The ‘Lowest’ location emphasizes innovation and proactiveness which, according to Kollmann et al. (2006) and Rauch et al. (2004) is a good practice. However, for an entrepreneurial company, the values for autonomy and competitive aggressiveness are low and well below company averages. Competitive aggressiveness at an individual store level is not a dimension that location managers have a great amount of control over. It is not a focus in location operations, therefore, focus in this case should be on improving autonomy. Autonomy could be improved by developing independent work units described as ‘skunkworks19’. ‘Skunkwork’ groups enhance creative thinking and improve communication between work units, minimizing inefficiencies. Also, such units foster the necessary culture, rewards, and processes to support autonomous efforts (Dess and Lumpkin 2005 – see Appendix E for further suggestions on enhancing a firm’s entrepreneurial orientation). Specifically, one idea that could help to improve this locations autonomy is to establish a time once a week in an educators shift where a group of three people get together for fifteen minutes and come up with three ideas on how to improve store operations or three items of design/product feedback that they captured from guests that week. These ideas could then be reviewed by the managers, evaluated, and pursued.

The ‘highest’ location is arguably too entrepreneurially orientated. All dimensions are above the company average. The dimensions of autonomy, risk-taking and competitive aggressiveness are particularly worrisome. Being too autonomous may mean that units within the store do not communicate with each other, which may lead to inefficiencies and duplication of work efforts (Dess and Lumpkin, 2005). Pertaining to risk-taking, the type

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19 “Skunks” is a term used to describe a group within an organisation that is given a high degree of autonomy and is not stifled by administrative management (Lumpkin and Dess, 1996).
of risk that can be taken at an individual location level probably does not endanger location performance a great deal, however, this manager may want to limit the implementation of activities that have uncertain outcomes. Competitive aggressiveness is an EO construct that in its definitional sense is not practiced much at the individual location level. This likely eliminates the dangers according to Dess and Lumpkin (2005) of practicing competitive aggressiveness to excess which can lead to damaging a company’s reputation.

Two other individual locations have been displayed below in Figure 4-7 to emphasize a need to balance EO, in an effort to align themselves with other individual locations. In both of the highlighted cases each store has an innovative and proactiveness emphasis but the other dimensions are low, especially autonomy which has some positive applications for use within a lululemon location. ‘Highlight 2’ may be too entrepreneurially orientated towards innovativeness and proactiveness.

![Figure 4-7 EO Ambidexterity Highlights Pentagram](Source: Author, based on Kollmann et al., 2006, p.16)

These examples and assessments of certain EO values have been provided to highlight an ambidexterity EO management idea and how to assess ones results. A useful exercise for lululemon individual location managers would be to assess their own EO values relative to the overall company posture and determine their individual construct emphasis and take action, if necessary, to manage their EO level (some advice to achieve this is provided in Appendix E).

The environment that lululemon resides in has been described as dynamic and heterogeneous which can be generally characterized by having relatively high rates of change and diverse customer needs. The environmental dynamism component surveyed describes the lululemon environment in a similar way. Respondents felt that marketing practices are stable, market and customer tastes change relatively frequently, and competitors’ actions are fairly predictable. The entrepreneurial orientation and the emphasized constructs lululemon currently possess in regards to its described environment should lead to identified
entrepreneurial opportunities and opportunity pursuit which could lead to superior performance and aid in the company’s aggressive growth initiative (Kollmann et al., 2006).

Analysis on EO and the performance data supplied by lululemon indicated that the top performing locations all had overall mean EO values of approximately 5.0. This value is slightly below the company average of 5.21. Top performing locations emphasized the EO constructs of innovativeness and proactiveness but their mean values were either on average or slightly below company averages. The other EO constructs of autonomy and risk-taking were of similar comparison, either at or below company averages. Competitive aggressiveness was well below the company average. Although this is a generalized comparison between EO and performance data, the analysis may suggest that overall company EO is slightly elevated. The three highest company EO dimensions are innovativeness, proactiveness, and risk-taking. Some typical problems of over emphasis of EO in these dimensions are: wasting of resources, unfocused activism, and a tendency towards gambling (Kollmann et al., 2006). From the research provided on the EO dimensions, innovation and proactiveness should be emphasized and risk-taking should be minimized. The comparison of the EO dimensions and the supplied performance data may indicate that individual store locations should limit their risk-taking initiatives and be more selective with their choices in implementing actions with uncertain outcomes.

4.2 Stevenson’s Entrepreneurship-Ambidexterity Study

Zahra et al. (1999) state that “there is no single typology that is all encompassing” (p.313) in measuring entrepreneurship. The Operationalization of Stevenson's Entrepreneurship was distributed by the administer to assess the management style proclivity between an entrepreneurial and administrative style and to provide a complete and multi-dimensional assessment of firm-level entrepreneurship (Brown et al., 2001).

The Operationalization of Stevenson’s Entrepreneurship instrument revealed that management style between the surveyed categories was split, managers exhibited an entrepreneurial style in ‘management structure’ and ‘entrepreneurial culture’ and an administrative style in ‘resource orientation’ and ‘growth orientation’. An overall calculation of the style proclivity returned a value of approximately 5.0, measured on a ten point Likert scale with a promoter (entrepreneurial) being on the low side of the scale. This indicates a slight favourability towards an entrepreneurial management style.

Having an entrepreneurial management style regarding ‘management structure’ places emphasis on informal controls and adaptation to change in managerial actions. Being a promoter in an ‘entrepreneurial culture’ environment, one would demonstrate management support for idea generation and proactive behaviour. An administrative management style portrayed in ‘resource orientation’ is exhibited through a preference to own resources and only use those resources to explore for opportunity. A trustee believes that ‘growth’ should be steady and that long-term survival is important.

The ambidexterity instrument presented to measure the degree to which a manager felt they would use a particular style in accordance to the posed question instance also indicated that lululemon individual location managers prefer to employ an entrepreneurial management style. The mean of the entrepreneurial questions was 5.14 in comparison to the administrative mean which was 4.80. Questions were measured on a ten point scale (analysis on the Operationalization of Stevenson’s Entrepreneurship and ambidexterity instrument are provided in Appendix F).
The two distributed instruments return very similar results suggesting that lululemon location managers slightly favour an entrepreneurial management style. The results of the questions regarding ambidexterity management style were very positive toward the existence and utilization of this concept by lululemon management. A growing company benefits from an entrepreneurial style from the ability to recognise and pursue opportunity, as well as, instilling a positive attitude towards change. A growing company also needs an administrative style able to control and organise company operations. Analysis of the results of the two instruments suggests that lululemon individual managers are capable of ambidextrous management.

Interesting highlights that were revealed in both of the distributed instruments were the responses pertaining to the ‘growth orientation’ category. The responses returned mainly an administrative or trustee preference. This preference favours sure and steady growth stressing a long-term perspective. With the reported growth intentions, and the recent opening of numerous locations a promoter inclination towards this category would be expected. The discrepancy between the company’s explicit growth strategy and the individual manager’s responses are interesting because while lululemon has explicit goals for substantial growth, individual location managers feel the growth process has been gradual. This realization could be problematic for lululemon because location managers may not understand the integral role they play in the growth process. One important requirement needed to achieve the growth that lululemon aspires to is that they are going to be in need of many capable managers to open new locations. One contribution location managers could be focusing on to fuel growth is increasing the rate of identification and training of new potential managers. A lack of urgency, indicated by the slow and steady response to growth by location managers may, in this case, hinder growth.

### 4.3 Overall Entrepreneurial Assessment and Associated Reflection

The empirical instruments utilized in this study were distributed to gain a complete assessment of the entrepreneurial drive of lululemon individual location managers. Empirical studies revealed an entrepreneurial tendency. Considering all instruments, entrepreneurial emphasis within lululemon lies in innovation and proactive behaviours that form a strong entrepreneurial culture. A strengthening of ambidextrous management and a balance of entrepreneurship could be demonstrated through further exploration and utilization of autonomous entrepreneurial activities and a limiting of risk-taking. Improving autonomy should be facilitated through the entrepreneurial management structure exhibited in existing individual locations.

The analysis and study of upon empirical results gathered in the entrepreneurial assessment of lululemon, suggests that a dimension or aspect of firm-level entrepreneurial measure seems to be missing. This dimension is a communication and coordination entrepreneurial function.

From the results of the empirical studies, one could conclude that many entrepreneurial activities pertaining to external market opportunities and internal firm operations occur within lululemon individual locations. To lululemon this is very positive. However, an important question that is raised from this statement is: organisation wide, how many of these entrepreneurial acts are shared with all other locations? When one location completes a successful entrepreneurial process and a desired future state is accomplished, in many cases the benefit of this entrepreneurial action remains within that location. Entrepreneurial successes occurring within an individual location can be leveraged and applied to a firm-level,
thereby greatly increasing the benefit and successes of entrepreneurial acts. This leveraging benefit would be facilitated through a communication and coordination function that would assemble and disseminate entrepreneurial efforts throughout the firm.

This communication and coordination function could be easily accomplished through the utilization of the company intranet. Managers could post their entrepreneurial acts on the intranet to be reviewed by other managers. Other managers could then evaluate if posted entrepreneurial efforts would fit within their location and decide to implement the idea or not. This posting could also serve as a database of store management ‘best practices’ and could be utilized as a training tool for upcoming management or in the establishment of management practices in new store openings. Finally, this activity could facilitate top management awareness of entrepreneurial activities occurring within individual locations and allow them to monitor the degree of entrepreneurial initiatives occurring within the organization.

An actual example of how this process could have been implemented is seen through the previously cited example of the ‘Mall Walker Morning’. This was a successful event, showcasing lululemon culture to the local store environment. This initiative could have been communicated through the company intranet and other mall store locations could have sponsored a similar event, increasing the entrepreneurial value of this innovative idea throughout the whole lululemon organization.

Another general benefit would be realized through the review of others entrepreneurial practices. When individual managers recognize an area within their store that could be improved they could review the posted entrepreneurial efforts and search for ideas other locations have installed and implement them in their operations or, tailor posted ideas to fit into their location. The alteration or improvement of the original contribution should also be posted for further review by other managers.

The addition of a communication and coordination dimension to a firm-level entrepreneurial assessment should consider how often opportunity recognition is communicated to other employees or managers, the frequency of communication between different autonomous groups, and the degree of existence of organisational communication vehicles. In the case of lululemon and possibly in all organizations, a positive association with these outlined communication and coordination criteria would be an indication of the degree of capture and leverage of entrepreneurial value.

### 4.4 Empirical Instrument Findings

Rauch et al. (2004) cite the studies of Becherer & Maurer (1999), and Kemelgor (2002) as evidence of the consistency and predictive validity of the EO measurement scale (p. 167). The instrument measures five factors constructing a firm-level measure of entrepreneurial orientation. In this thesis’ empirical study, factor analysis determined that six factors were measured (see factor analysis in Appendix G). Previous EO factor analysis and validity has mainly been determined through researchers’ preferences to study top management single respondent and multiple firm samples (Zahra et al., 1999). This study focused on multiple middle managers existing within one firm. The measurement differences in factor analysis may have been due to this study’s sample preference. Due to the limited research into this type of sample, the factor analysis results in this study may indicate that more multiple respondent single firm research utilizing the EO scale should be completed to determine the instruments validity and reliability towards this type of sample.
The proposed ambidexterity instrument was administered as an alternate instrument to the Operationalization of Stevenson’s Entrepreneurship (Brown et al., 2001) to assess whether the style or proclivity of management style practice would differ between the two different scales.

A comparison of the two instruments’ results indicated corresponding style proclivity in all categories and had very similar general style proclivities. To directly compare the products of the two instruments one respondent was given both surveys to fill out. This respondent was given one of the surveys three weeks previous to completing the other and was not told that the survey included the same questions. Comparing the two instruments revealed similar results in both instruments (comparison analysis is provided in Appendix H). An entrepreneurial management style was preferred and the degree of this preference was also similar. The ambidexterity instrument mean was 5.43 (entrepreneurial management style) and the Operationalization of Stevenson's Entrepreneurship was 4.21 on a ten-point Likert scale with a low value indicating an entrepreneurial management style. This experiment can further attest to the validity of the measuring questions and reliance on an accurate entrepreneurial measure in the Operationalization of Stevenson’s Entrepreneurship (Brown et al., 2001) scale.
5 Limitations and Conclusions

5.1 Limitations

Reflection upon lululemon and its proclivity for entrepreneurship and growth have been based on the authors past experiences working within the company. These reflections are based on experience gained one year ago and in some cases, may be inaccurate due to this fact.

A very small sample was utilized in the empirical studies of the Operationalization of Stevenson’s Entrepreneurship and the ambidexterity studies. This can only lead to generalized conclusions and may not reflect the greater lululemon organisation.

The author’s oversight in including the ‘strategic decisions’ category in the Operationalization of Stevenson’s Entrepreneurship could also be a limitation; the ‘strategic decisions’ category included in the original scale could have been an interesting study to determine the involvement of individual store manager’s participation in strategic decision making. It has been suggested that individual managers may have a future role to play in this process and the degree to which they are exposed to decisions at this time could have provided a gauge for the training and involvement needed to prepare for this future role.

5.2 Conclusions

From the results and analysis of the empirical studies distributed to lululemon individual retail store location managers, it can be concluded that lululemon is an entrepreneurial organisation. Entrepreneurial orientation construct emphasis lies within innovation and proactiveness. This, matched with an entrepreneurial style of management, sets the entrepreneurial framework needed to identify opportunities and pursue opportunities within the realm of corporate entrepreneurship. This should allow the company to identify opportunities for new products based on the customer feedback knowledge captured from educators’ entrepreneurial perceptions. This entrepreneurial framework base should also facilitate individual locations to change and adapt operationally within a dynamic and growing company environment.

The results have implied that lululemon for the most part utilizes a balanced entrepreneurial orientation construct and functionally utilizes ambidextrous management through the entrepreneurial and administrative management styles. Specific improvements that could be made in these respects are the further utilization of an autonomous EO construct and a more entrepreneurially focused management proclivity towards ‘growth orientation’.

lululemon’s explicit growth strategy has and will be the cause of many organisational changes. The application of Greiner’s (1998) model has highlighted some of the challenges and solutions already experienced and resolved. lululemon should be conscious that growth will bring the necessity of further change and try to be proactive in preparing the organisation for what it believes to be the next future challenges. The suggestions provided by Greiner (1998) indicate that future decision and planning roles may require the participation of individual store managers. Preparations and training to facilitate such an event should be implemented.

The corporate entrepreneurship discussion was focused towards middle managers. This was done to highlight and emphasize the importance of the individual store manager in
achieving lululemon corporate entrepreneurship initiatives of company growth, performance, and future renewal.

Reflecting on empirical studies and their applications within lululemon, the emergence of a communication and coordination dimension seems necessary to capture and leverage entrepreneurial acts to a firm-level. This construct would measure: how often opportunity recognition is communicated to other employees or managers, the frequency of communication between different autonomous groups, and the degree of existence of organisational communication vehicles. Applying this construct and indications of its existence could benefit other firms that have similar organisational structures to that of lululemon.

The majority of entrepreneurial research samples single (top-management) respondents and multiple firms. This study heeded the advice of Kuratko et al. (2005) and studied middle management, existing within one firm. The Miller (1983) and Lumpkin and Dess (1996) EO instrument is believed to be a valid and predictable measure of firm-level entrepreneurship (Rauch et al., 2004). This study’s results utilizing this instrument, while reliable, revealed some potential issues relating to factor measures. Further studies utilizing the same sample preference should be done to study the utility of this function as an entrepreneurial measure.

5.2.1 Summary of Study and Highlights

Table 5-2 below summarizes the main theoretical concepts, empirical study results, and contributions of this thesis.

| Table 5-2  Summary of Study and Highlights |
| (Source: Author) |

| Entrepreneurial Orientation (EO) | • Entrepreneurial Orientation is a business strategy companies invoke to assist them in seeking and pursuing opportunities. |
| | • There are five dimensions of EO: innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy. Empirical study EO revealed that lululemon is entrepreneurially orientated with the following average company values: 5.80, 4.94, 6.16, 4.35, and 4.74 respectively to the above. |
| Management Style | • The management style discussion was based on the opportunity and resource based view of entrepreneurship by Howard Stevenson. Stevenson views entrepreneurship as an “approach to management defined as: the pursuit of opportunity without regard to the resources currently controlled” (Stevenson, 1983, p. 10) |
| | • There are two poles of management style: entrepreneurial and administrative. These styles are |
measured using eight dimensions: Strategic Orientation, Commitment to Opportunity, Commitment to Resources, Control of Resources, Management Structure, Reward Philosophy, Entrepreneurial Culture, and Growth Orientation.

- Empirical results revealed that lululemon exhibits entrepreneurially management behaviour in the ‘management structure’ and ‘entrepreneurial culture’ categories. Administrative behaviour was found in the ‘resource orientation’ and ‘growth orientation’ categories.
- Overall, an entrepreneurially management style is favoured within lululemon.

**Company Growth**

- A popular growth model by Greiner (1998) was selected and applied to lululemon due to the close association between the two.
- Application of the model revealed that lululemon is in a ‘directive’ evolutionary phase of growth characterised by functional organisational structure, formal communication, growth in hierarchy, with a directive relationship between upper and lower organisational levels. The model predicts the next growth stage for lululemon will be the revolutionary crisis of ‘autonomy’ where more directives are sought by lower level management.
- The essence of Greiner’s (1998) model is: solutions to previous stages of growth breed new problems, these problems can not be solved by previous solutions, new solutions must be created and committed to.

**Entrepreneurship Preservation**

- As companies grow, certain administrative management controls must be incorporated into a firm for control and efficiency reasons. These controls have been attributed to stifle entrepreneurship. Increasing the perception of opportunity, building a desire to pursue opportunity, and making people believe that they can succeed are some ways companies can preserve entrepreneurship.

**Corporate Entrepreneurship**

- Corporate Entrepreneurship is term a used to describe all actions taken by a firm’s members that relate to the discovery, evaluation, and exploitation of entrepreneurial opportunity (Shane and Venkataraman, 2000).
- Successful implementation of corporate entre-
entrepreneurship practice has been linked to successful company growth and performance.

- This study’s analysis determined that individual location managers are key to the success of corporate entrepreneurship initiatives, due to their integral position between the upper and lower levels of the organisation.

### Main Contributions of thesis

- Analysis of the EO constructs within lululemon led to the proposed addition of a communication and coordination construct to the inherent EO dimensions.

- A recombination of the Brown et al. (2001) Operationalization of Stevenson’s Entrepreneurship was presented to discover a potential measure of ambidexterity between entrepreneurial and administrative management styles.

- The middle management role in company corporate entrepreneurship initiatives, as evidenced by lululemon, was found to be of significant importance in the success of such an initiative.
Reference List


Appendix A, Continuation of Growth Model

After the revolutionary phase three crisis of control has been resolved, the phase four evolutionary growth phase of coordination begins. This phase is characterised by the establishment of formal planning procedures, decentralized units are merged into product groups, each product group is treated as an investment center, further staff is hired to monitor each product group, technical functions are centralized, and stock options and companywide profit sharing are utilized (Greiner, 1998). These functions provide the organisational coordination needed to more efficiently allocate company resources which facilitate further growth. This new system results in a red-tape revolutionary crisis because of the asymmetries of knowledge between the line (operational) managers and their monitoring managers. Both of these groups blame the bureaucratic system that has evolved for the conflict; the organisation has become too complex and too large to be managed through formal ridged systems (Greiner, 1998).

Phase five, collaboration, “emphasises strong interpersonal collaboration in an attempt to overcome the red-tape crisis” (Greiner, 1998, p. 62). A collaboration system is seen through spontaneous management action of team organisation, immediate confrontation of interpersonal differences, and social control and self-discipline replaces formal control (Greiner, 1998). The evolution experienced in phase five is build around flexibility and a behavioural approach to management. Collaboration evolution is characterised by a problem solving focus, cross-functional team units, a matrix-type structure used to assemble the right teams for the right problems, educational programs on teamwork and behavioural management, real-time information systems are created, and experimentation with new practices is encouraged.

The next revolutionary period has not yet been formalized, however Greiner (1998) does suggest that the revolution will come from a realization that there is “no internal solution, such as new products, for stimulating further growth” (Greiner, 1998, p. 65). With this realization the company looks for partners or a possible sale of itself to a larger firm. With this solution comes the sixth phase which includes extra-organisational designs, such as holding companies or organisational networks composed of alliances and cross-ownership (Greiner, 1998).
Appendix B, Entrepreneurial Orientation Scale

<table>
<thead>
<tr>
<th>Please fill in the information below:</th>
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</thead>
<tbody>
<tr>
<td>Position:</td>
<td>Select your position</td>
</tr>
<tr>
<td>Store Location:</td>
<td>Select your location</td>
</tr>
</tbody>
</table>

The following section uses opposite statements in order to gauge your attitude towards different questions. Here is an example of how one answers an opposite statement:

The firm has very many routines and rules.  

1 2 3 4 5 6 7 The firm has few routines and rules.  

The person who answered above felt that the firm has quite many rules and routines, thus the left statement was more correct than the right one. If you were to totally agree with the right statement, you would indicate a 7.

**In general, the top managers of my firm favour...**

<table>
<thead>
<tr>
<th>A strong emphasis on the marketing of tried and true products or services.</th>
<th>1 2 3 4 5 6 7 A strong emphasis on R&amp;D, technological leadership, and innovations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imitating methods other firms have used for solving their problems.</td>
<td>1 2 3 4 5 6 7 Experimentation and original approaches to problem solving.</td>
</tr>
</tbody>
</table>

**How many new lines of products or services has your firm marketed in the past 5 years?**

<table>
<thead>
<tr>
<th>No new lines of products or services.</th>
<th>1 2 3 4 5 6 7 Very many new lines of products or services.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in product or service lines have been mostly of a minor nature.</td>
<td>1 2 3 4 5 6 7 Changes in product or service lines have usually been quite dramatic</td>
</tr>
<tr>
<td>My firm prefers to adapt for our own use methods and techniques that others have developed and proven.</td>
<td>1 2 3 4 5 6 7 My firm prefers to design its own unique new processes and methods of production.</td>
</tr>
</tbody>
</table>
In general, the top managers of my firm have...

A strong proclivity for low risk projects (with normal and certain rates of return). 1 2 3 4 5 6 7
A strong proclivity for high risk projects (with chances of very high returns).

Prefer to study a problem thoroughly before deploying resources to solve it. 1 2 3 4 5 6 7
Are quick to spend money on potential solutions if problems are holding us back.

In general, the top managers of my firm believe that...

Owing to the nature of the environment, it is best to explore it gradually via careful, incremental behaviour. 1 2 3 4 5 6 7
Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm’s objectives.

When confronted with decision-making situations involving uncertainty, my firm...

Typically adopts a cautious, ‘wait-and-see’ posture in order to minimize the probability of potential making costly decisions. 1 2 3 4 5 6 7
Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting opportunities.

In dealing with its competitors, my firm...

Typically responds to actions which competitors initiate. 1 2 3 4 5 6 7
Typically initiates actions which competitors then respond to.

Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc. 1 2 3 4 5 6 7
Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.

In general, the top managers of my firm have....

A strong tendency to ‘follow the leader’ in introducing new products or ideas. 1 2 3 4 5 6 7
A strong tendency to be ahead of other competitors in introducing novel ideas or products.
### In dealing with its competitors, my firm...

Typically seeks to avoid competitive clashes, preferring a 'live-and-let-live' posture.  

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</thead>
</table>

Typically adopts a very competitive 'undo-the competitors' posture.  

| C1 |

My firm makes no special effort to take business from the intensely competitive.  

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| C2 |

### As a general rule...

We prefer tight control of funds and operations by means of sophisticated control and information systems.  

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</table>

There is a dependence on informal relations.  

| A1 |

We strongly emphasise getting things done by following formal processes and procedures.  

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We strongly emphasise getting things done even if this means disregarding formal procedures.  

| A2 |

There is a strong emphasis on getting personnel to adhere to their formal job descriptions.  

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There is a strong tendency to let the requirements of the situation and the personality of the individual dictate proper job behaviour.  

| A3 |

We strongly prefer centrally organised work units and groups.  

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</table>

We strongly prefer using autonomous work units and groups.  

| A4 |

Most job-related communication is vertical, up and down the organization.  

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</table>

Most job-related communication is horizontal.  

| A5 |
The final questions concern the environment of your firm. Circle the most appropriate number for each of the questions below.

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<th>Question</th>
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<tbody>
<tr>
<td><strong>To keep up with the markets and competitors...</strong></td>
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<td><em>Our firm must rarely change its marketing practices</em></td>
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<tr>
<td><em>Our firm must change its marketing practices extremely frequently</em></td>
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<td><strong>The rate at which products/services are getting obsolete in the industry...</strong></td>
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<td><em>Is very slow (e.g., basic metal like copper)</em></td>
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<td><em>Is very high (as in some fashion goods and semi-conductors)</em></td>
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<td><strong>The production/service technology...</strong></td>
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<td><em>Is not subject to very much change and is well established</em></td>
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<td><em>(e.g., in steel production)</em></td>
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<td><em>Changes often and in a major way</em></td>
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<td><strong>Actions of competitors are...</strong></td>
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<td><em>Quite easy to predict</em></td>
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<td><em>Unpredictable</em></td>
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<td><strong>Demand and consumer tastes...</strong></td>
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<td><em>Are fairly easy to forecast</em></td>
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<td><em>Are almost unpredictable</em></td>
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<td><em>(e.g., high fashion goods)</em></td>
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*Thank you for your participation, please click 'submit' below:*
Appendix C, Operationalization of Stevenson’s Entrepreneurship and Ambidexterity Instrument

Stevenson’s Entrepreneurship by Brown et al. (2001):

### Supplemental Questions

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<td>We never experience a lack of ideas that we can convert into profitable products/services.</td>
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Ambidexterity Instrument developed by Author (Adapted from Brown et al., 2001):

*Please answer the following questions indicating how strongly you agree with the statements:*

<table>
<thead>
<tr>
<th>Sample Question</th>
<th>Strongly Disagree</th>
<th>Somewhat Agree</th>
<th>Strongly Agree</th>
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<tr>
<td>The firm has very many routines and rules.</td>
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<td>The respondent that answered the above felt that the firm had many routines and rules. If you felt that the firm does not have any routines or rules you would strongly disagree indicating an answer of 1.</td>
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<td>Statement</td>
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## Appendix D, Individual lululemon Location EO Results and Analysis

<table>
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<tr>
<th>Location</th>
<th>Performance</th>
<th>Sales ($K)</th>
<th>Profits ($K)</th>
<th>Margin (%)</th>
<th>Rev ($K)</th>
<th>Profits ($K)</th>
<th>Margin (%)</th>
<th>Rev ($K)</th>
<th>Profits ($K)</th>
<th>Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coast Point</td>
<td>Manager</td>
<td>$400,000</td>
<td>$30,000</td>
<td>7.5%</td>
<td>$500,000</td>
<td>$40,000</td>
<td>8.0%</td>
<td>$550,000</td>
<td>$45,000</td>
<td>8.2%</td>
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<td>Woodland</td>
<td>Assistant Manager</td>
<td>$300,000</td>
<td>$20,000</td>
<td>6.7%</td>
<td>$400,000</td>
<td>$30,000</td>
<td>7.5%</td>
<td>$450,000</td>
<td>$35,000</td>
<td>7.8%</td>
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<tr>
<td>City Center</td>
<td>Manager</td>
<td>$500,000</td>
<td>$40,000</td>
<td>8.0%</td>
<td>$600,000</td>
<td>$45,000</td>
<td>7.5%</td>
<td>$650,000</td>
<td>$50,000</td>
<td>7.7%</td>
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<td>Broadview</td>
<td>Assistant Manager</td>
<td>$200,000</td>
<td>$15,000</td>
<td>7.5%</td>
<td>$250,000</td>
<td>$20,000</td>
<td>8.0%</td>
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<td>Manager</td>
<td>$600,000</td>
<td>$45,000</td>
<td>7.5%</td>
<td>$700,000</td>
<td>$50,000</td>
<td>7.1%</td>
<td>$750,000</td>
<td>$55,000</td>
<td>7.4%</td>
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<td>Northgate</td>
<td>Assistant Manager</td>
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<td>$25,000</td>
<td>7.1%</td>
<td>$400,000</td>
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<td>Woodruff</td>
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<td>$50,000</td>
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<td>$850,000</td>
<td>$60,000</td>
<td>7.1%</td>
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<td>6.3%</td>
<td>$450,000</td>
<td>$30,000</td>
<td>6.7%</td>
<td>$500,000</td>
<td>$35,000</td>
<td>7.0%</td>
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<td>University Park</td>
<td>Manager</td>
<td>$800,000</td>
<td>$55,000</td>
<td>6.9%</td>
<td>$900,000</td>
<td>$60,000</td>
<td>6.7%</td>
<td>$950,000</td>
<td>$65,000</td>
<td>6.9%</td>
</tr>
<tr>
<td>University Crossing</td>
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<td>$550,000</td>
<td>$35,000</td>
<td>6.4%</td>
<td>$600,000</td>
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<td>Downtown</td>
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<td>$900,000</td>
<td>$60,000</td>
<td>6.7%</td>
<td>$1,000,000</td>
<td>$65,000</td>
<td>6.5%</td>
<td>$1,050,000</td>
<td>$70,000</td>
<td>6.6%</td>
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Appendix E, Lumpkin and Dess (1996) EO Suggestions

Enhancing a firm’s entrepreneurial orientation: Issues to consider

Autonomy
- Does your firm consider developing independent work units such as “skunkworks” to enhance creative thinking?
- When using autonomous work units, does your firm ensure adequate coordination to minimize inefficiencies and duplication of efforts?
- Does your firm have a proper balance between patience and tolerance for autonomous groups and the forbearance to reduce or eliminate initiatives that are not succeeding?
- Does your firm implement necessary structural changes such as small, autonomous groups to stimulate new ideas?
- Does your firm foster the necessary culture, rewards, and processes to support product champions?

Innovativeness
- Does your firm encourage and stimulate technological, product-market, and administrative innovation?
- How does your firm stimulate creativity and experimentation?
- Does your firm properly invest in new technology, R&D, and continuous improvements?
- Are your firm’s innovative initiatives hard for competitors to successfully imitate?
- Does your firm “safeguard” investments in R&D during difficult economic periods or are they generally the first area where significant cuts are made?

Proactiveness
- Does your firm continuously monitor trends and identify future needs of customers and/or anticipate future demand conditions?
- Does your firm strive to be a “first mover” to capture the benefits of being an industry pioneer?
- Is your firm aware of the downside of being a first mover, such as customer resistance to novel ideas and bearing the costs associated with unforeseen technological problems?
- Does your firm effectively use the following methods to act proactively, introducing new products and technologies ahead of the competition and continuously seeking out new product or service offerings?

Competitive Aggressiveness
- Does your firm effectively use an aggressive posture to combat industry trends that may threaten your survival or competitive position?
- Does your firm enhance its competitive position by entering markets with drastically lower prices, copying the business practices or techniques of successful competitors, or making timely announcements of new products or technologies?
- Does your firm know when it is in danger of acting overly aggressive and avoid such actions which can lead to erosion of firm reputation and retaliation by competitors?

Risk-taking
- Does your firm foster and encourage a proper level of business, financial, and personal risk-taking?
- Does your firm enhance its competitive risk position by researching and assessing risk factors in order to minimize uncertainty?
- Does your firm enhance its competitive risk position by applying techniques and processes that have worked in other domains?
- Overall, does your firm carefully manage risks and avoid taking actions without sufficient forethought, research, and planning?
### Appendix F, Management Style Analysis

<p>| | | | | | |</p>
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[Table content continues here]
Appendix G, Factor Analysis Output

Rotated Component Matrix

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<th>Component</th>
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<tbody>
<tr>
<td>I3: No new products vs. Many new products</td>
<td>0.846</td>
<td>0.145</td>
<td>-0.101</td>
<td>0.174</td>
<td>0.222</td>
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<tr>
<td>I1: Stable product range vs. Emphasized research and development</td>
<td>0.782</td>
<td>0.108</td>
<td>0.189</td>
<td>0.297</td>
<td>-0.147</td>
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<tr>
<td>R2: Analyse problem vs. Spend proclivity</td>
<td>0.744</td>
<td>-0.132</td>
<td>0.376</td>
<td>-0.158</td>
<td>0.172</td>
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<tr>
<td>R3: Gradual incremental behaviour vs. Wide-ranging acts</td>
<td>0.719</td>
<td>0.419</td>
<td>0.235</td>
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<tr>
<td>A3: Job description vs. Individual behaviour</td>
<td>0.152</td>
<td>0.879</td>
<td>0.156</td>
<td>0.113</td>
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<tr>
<td>A2: Formal procedure vs. Disregard formal</td>
<td>0.875</td>
<td>0.109</td>
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<tr>
<td>A1: Tight vs. loose control</td>
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<td>0.803</td>
<td>0.189</td>
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<tr>
<td>C1: Avoid competition vs. Competitive</td>
<td>0.107</td>
<td>0.931</td>
<td>0.167</td>
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<tr>
<td>C2: Non-aggressive vs. Aggressive</td>
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<td>0.861</td>
<td>0.293</td>
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<td>A4: Centrally organized vs. Autonomous</td>
<td>0.379</td>
<td>0.490</td>
<td>0.560</td>
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<td>A5: Vertical communication vs. Horizontal</td>
<td>0.138</td>
<td>0.802</td>
<td>0.104</td>
<td>0.134</td>
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<td>I5: Adopt methods vs. Design methods</td>
<td>0.314</td>
<td>0.721</td>
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<td>R4: Cautious decisions vs. Aggressive decisions</td>
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<td>0.127</td>
<td>0.629</td>
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<td>R1: Low risk vs. High risk</td>
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<td>-0.194</td>
<td>0.224</td>
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<td>I2: Imitative solutions vs. Experimentation solutions</td>
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<td>0.194</td>
<td>0.143</td>
<td>0.182</td>
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<td>P1: Respond to competitors vs. Initiate action</td>
<td>0.387</td>
<td>0.220</td>
<td>0.447</td>
<td>-0.567</td>
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<td>P3: Follow the leader vs. Ahead of the competition</td>
<td>0.204</td>
<td>0.291</td>
<td>0.254</td>
<td>0.548</td>
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<td>P2: Seldom introduction vs. First introduction</td>
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<td>0.280</td>
<td>0.248</td>
<td>0.748</td>
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<td>I4: Minor product changes vs. Dramatic product changes</td>
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<td>-0.195</td>
<td>0.110</td>
<td>0.103</td>
<td>0.558</td>
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Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
A Rotation converged in 7 iterations.
Appendix H: Comparison of Stevenson’s Entrepreneurship and Ambidexterity Instrument Analyses