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MNE3702

OCTOBER/NOVEMBER 2015

CORPORATE ENTREPRENEURSHIP

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MNE3702

October/November 2015

CORPORATE ENTREPRENEURSHIP

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

MR W SAMBO

SECOND

MRS S LAST

EXTERNAL

MR PJ RAS

Closed book examination

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This paper consists of fourteen (14) pages

This paper comprises of two (2) sections, **Section A** and **Section B**

Section A is a **compulsory** section which you have to answer

Section B consists of three (3) questions. You may choose any two (2) of the three (3) questions to answer (you must NOT answer all three (3) questions in Section B)

Please ensure that the following appear on the cover page of this answer book

- Your student number
- ID number
- The **module code (MNE3702)**

[TURNOVER]

SECTION A (COMPULSORY)

Answer **ALL THE QUESTIONS**. Use the space provided below each question for your answer

QUESTION 1 (Read the case study below and answer questions that follow)

Crises to Creation at Samsung

At Samsung, employees know that disaster lurks around every corner, and to make sure that they do not forget it, CEO Jong Yong Yun is there to remind them. He realises that every day a product is not on the market, it becomes one step closer to becoming a commodity. It is this mindset that has allowed Samsung to become the world's dominant and most profitable consumer electronic company in less than a decade.

At the core of Samsung's growth is the magnitude of its technical research. Samsung spends more on research and development (R&D) than their closest rivals Intel, Microsoft, and Sony. Samsung spends approximately \$5 billion annually on the development of new products. By investing in its future, Samsung has been able to take the lead in the markets for LCD TVs, multimedia mobile phones, and memory chips. In addition, Samsung provides components for other companies' products, which have been commercially successful, to put it mildly. Some of these include Apple iPods, Dell computers, Microsoft Xboxes, Nokia phones, and Sony Playstation Portables.

Beyond the fear of failure that has been ingrained in the company's culture, how has Samsung been able to keep its entrepreneurial drive as it has continued to grow? For one thing, the company has provided the necessary resources to allow the momentum of its R&D capacity to remain strong. Samsung employs 113,600 people, of which 27,000 are researchers. These researchers are spread across 17 research centers around the world. Management at these centers have committed the staff to remaining in the VIP Center until they have found a solution to the problem on which they are working. Although not required to spend the night, 18- to 20-hour working days are common. In addition, the fact that management promotes the research center as being occupied 24 hours a day, 7 days a week implies that spending the night at work may not

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be mandated, but it is not discouraged. This work environment has led management to invite spouses to the VIP Center to address their complaints regarding the absence of their husbands and wives at home. During the meeting, the family members are reminded of the necessity of their sacrifice to ensure the longevity of Samsung. Although not altogether difficult to imagine management practicing this philosophy, employees seemingly take great pride in what other companies' employees may think of as mundane endeavors, such as driving down costs and creating customer value. Another sign of its commitment to R&D was its increased investment in new technologies during the Asian financial crisis of 1997, which led its competitors to reduce their R&D spending.

Samsung has determined that 70 to 80 percent of quality, cost, and delivery time is defined in the early stages of a product's development. Understanding the product development life cycle and working to perfect the product during its inception has led to Samsung realising lower manufacturing costs, higher profit margins, quicker delivery time to the market, and typically more innovative products than its competitors. Samsung's efficiency has led to the company generating \$9 billion in profit from \$72 billion in sales, an impressive return for a manufacturing company. It is the world's leading producer of memory chips, flat-panel LCD displays, and color televisions. Samsung is competing with Motorola to become the world's second largest manufacturer of mobile phones.

Despite all of its success, Yun sees no reason to relax. After all, from his perspective, great success can breed even greater failure. Starting in 1997, he transformed a company that relied on memory chips to provide 50 percent of its profits into what is now the number one manufacturer in eight product categories, including flash memory chips, computer monitors, big LCD screens, and COMA mobile phones. Yun aspires to double the number one rankings in three years and triple them in five years. With such lofty goals, for Yun success is not a goal, it is a necessity, and any indication of failure is a crisis in need of resolve.

SOURCE: Kurakto, D.F., Morris, M.H. & Covin, J.G. 2011. Corporate Innovation and Entrepreneurship. Canada: South-Western Cengage.

[TURN OVER]

13 Explain the term Entrepreneurial Intensity (2) and show by means of examples (8)
from the case study how it is practiced at Samsung (10)

[TURN OVER]

14 Briefly explain how Samsung can maximise learning from their corporate entrepreneurship projects as applicable in the case study (6)

[30]

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SECTION B

Answer **ANY TWO** (2) of the following three (3) questions in this section in the space provided for each question

QUESTION 2

There are, in reality, hundreds of factors within a typical business that constrain entrepreneurship. In fact, there can be so many obstacles that corporate entrepreneurship almost seems to be a pipe dream.

2.1 Discuss how the following factors could hamper or constrain corporate entrepreneurship.

- 2.1.1 Systems (3)
- 2.1.2 Structures (3)
- 2.1.3 Policies and procedures (2)
- 2.1.4 Culture (2)

(10 marks)

[TURNOVER]

2.2 In spite of a desire to pursue entrepreneurial ideas, many corporate entrepreneurs face a number of limitations that lead them to fail. Identify and explain these limitations (10)

[20]

3 2 Briefly explain four (4) reasons why personnel/people in an organisation could be constraints towards corporate entrepreneurship (4)

3 3 Corporate venturing includes various methods for creating, adding to, or investing in new business. Discuss the three (3) modes of corporate venturing that organisations can use to extract further value from existing resources (6)

[20]

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QUESTION 4

4.1 Many companies have an overall orientation that guides or drives how entrepreneurial activity is manifested in innovation processes. Two (2) of the dominant approaches are the technology-push and market-pull innovation processes. Briefly explain these two (2) concepts. (4)

4.2 Identify the three (3) standards available for judging a creative concept and present the type of questions that could be asked for each respective standard. (6)

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4.3 Entrepreneurial imperatives are those aspects of strategic leadership that are inherently entrepreneurial in that they relate to the recognition and/or exploitation of opportunity. Discuss five (5) entrepreneurial imperatives of strategic leadership in an organisation. (10)

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TOTAL [70]

ROUGH WORK PAGE 1

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ROUGH WORK PAGE 2