

Tutorial letter 201/1/2017

CORPORATE ENTREPRENEURSHIP

MNE3702

Semester 1

Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management

IMPORTANT INFORMATION:

This tutorial letter contains feedback for Assignment 01, Assignment 02 and examination information.

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1 INTRODUCTION

Dear Student

Well done on getting this far. We hope that you have enjoyed the Corporate Entrepreneurship journey so far.

The purpose of this tutorial letter is to provide you with feedback on Assignments 01 and 02 as well as provide information regarding the examination. Assignment 3 is a self-assessment and you are expected to find solutions on your own as this will assist in your exam preparation. However, the solutions will be posted on myUnisa a week or two (2) towards your examinations for ease of reference.

2 FEEDBACK ON ASSIGNMENT 01

Although there will be no multiple-choice questions in the examination, the following explanations do form a vital part of the learning process. Read these comments carefully and compare them with the reasoning in your answers to the questions.

QUESTION 1

The correct answer is **1**. Refer to page 8 in Kuratko *et al* (2011).

Heraclitus' quote "nothing endures but change" is most relevant in today's business environment. The quest for competitive advantage requires that companies and the managers within them continually reinvent themselves. Kuratko *et al* (2011:8) believe advantage derives from five key company capabilities, namely **adaptability** (the capability in question), flexibility, speed, aggressiveness, innovativeness.

QUESTION 2

The correct answer is **2**. Refer to pages 17 to 18 in Kuratko *et al* (2011).

Statements a and d are incorrect. *Delegation* (not *collaboration*) takes the form of creating semi-autonomous product divisions and strategic business units. Therefore statement a is incorrect. When companies simplify structures and procedures, reduce head office staff, reassign staff experts, create matrix structures and emphasise innovative projects involving cross-functional teams, *growth through collaboration* takes place; it is not *growth through coordination*. Therefore statement d is incorrect. Both statements b and c on *start-up and early growth* and *growth through direction* respectively are correct, therefore the correct answer is option 2 (b and c).

QUESTION 3

The correct answer is **3**. Refer to pages 23 to 24 in Kuratko *et al* (2011).

Options a and d are both statements which do not indicate necessarily that any entrepreneurial behaviour is taking place within Microsoft, therefore these two statements are incorrect in light of this question. Whereas, statements b and c both indicate that some form of entrepreneurial behaviour could be taking place within the company. For instance, with a team of experts in search of new ideas (statement b) and billions of dollars spent on research and development (statement c) an entrepreneurial environment within the corporate is evident. Therefore option 3 (b and c) is correct.

QUESTION 4

The correct answer is **4**. Refer to pages 37 to 39 in Kuratko *et al* (2011).

When the layman on the street is asked about 'entrepreneurship', often start-up entrepreneurship comes to mind. Many do not consider the concept corporate entrepreneurship and its importance in innovation within a company. While corporate entrepreneurship shares many similarities with start-up entrepreneurship, these two types of entrepreneurship also possess very unique differences (therefore statement b is incorrect). A summary of these differences are displayed in Table 2-2 on page 38 of the prescribed book. As a quick reference to the differences, one will learn that rather major differences can be found with job security (b), ownership of the concept (d) and the potential for scale and scope (e). Option c represents a similarity of the two types of entrepreneurship where both are driven by an individual champion. Therefore, option 4 (b, d and e) is the correct answer.

QUESTION 5

The correct answer is **3**. Refer to page 47 in Kuratko *et al* (2011).

Entrepreneurship can be manifested in many ways in an established company. The source of the entrepreneurship could be a unit that has been set up for the explicit purpose of innovating, or from departments which do not have the primary task of innovation or R&D. The options 1 to 4 present four of the seven ways in which entrepreneurship can be manifested in established companies; however the blank that question 5 tasks you to identify is option 3 - *champions and the mainstream*. It is with this means that employees from any level or department within the organisation are able to develop innovative concepts based on an opportunity that they have recognised, and then attempt to sell the idea(s) to senior management.

QUESTION 6

The correct answer is **4**. Refer to page 62 in Kuratko *et al* (2011).

Innovation poses a large number of dilemmas for corporate managers, a long list of such dilemmas can be found in Table 3-2 in the prescribed book. Question 6 asked you which of the four statements were correct. The incorrect statement is option c (making option 4 the correct answer), as *not* all entrepreneurs are innovators, and *not* all innovators are entrepreneurs, but successful entrepreneurship *does* tend to involve continued innovation (see point 1 of the sixteen Dilemmas of Innovation).

QUESTION 7

The correct answer is **2**. Refer to pages 74 to 75 in Kuratko *et al* (2011).

An entrepreneurial event varies in terms of the degree of entrepreneurship (how much innovativeness, risk-taking, and proactiveness is involved) and the frequency of entrepreneurship (how many entrepreneurial events take place within a company over a given period of time). To assess the overall level of entrepreneurship in a company, the concepts of degree and frequency must be considered together, this decides the entrepreneurial intensity (EI). To better understand the concept on of EI, take a look at Figure 3-5 in the prescribed book.

To answer question 7, we know that M&M Manufacturers have introduced a new product that has revolutionised the market – the key word here is *revolutionised*. This is a bold word implying a high degree of innovativeness, risk-taking and proactiveness in the market – in other words, innovation was discontinuous, with a *high degree of entrepreneurship*. We also know that it was the *first new product* they have introduced in *ten years*; therefore we can deduce the degree of frequency was low as it was the first innovation in a decade – in other words, innovation was periodic, not continuous/ a *low frequency of entrepreneurship*. Therefore, the correct answer is option 4.

QUESTION 8

The correct answer is **1**. Refer to pages 74 to 75 in Kuratko *et al* (2011).

Please read the explanation of the degree of entrepreneurship and entrepreneurial intensity in question 7 above. Footloose Traders (FT) continuously introduces modest improvements in their products and services. The key words here are *continuously* and *modest*, in other words, innovation takes place on a regular basis but these innovations are neither highly innovative nor risky. One can then plot FT in the continuous/incremental quadrant, with a high degree of entrepreneurship but a low degree of entrepreneurship. Therefore the correct answer is option 1.

QUESTION 9

The correct answer is **2**. Refer to pages 58 and 66 in Kuratko *et al* (2011).

In this question you were asked to complete two sentences using one of the following three dimensions of entrepreneurship: innovativeness, risk-taking, and proactiveness.

Option 2 is the correct answer: In the first sentence the correct dimension is *innovativeness* which refers to the extent to which an organisation does things in novel, different and unique ways. While risk-taking was the correct dimension to use in sentence two. *Risk-taking* involves a willingness to pursue opportunities that have a reasonable likelihood of producing losses or significant discrepancies.

Read up more on innovativeness, risk-taking and the third dimension proactiveness in your prescribed book.

QUESTION 10

The correct answer is **1**. Refer to page 68 in Kuratko *et al* (2011).

A distinction can be drawn among four innovation types. These innovation types include discontinuous innovation, dynamically continuous innovation, continuous innovation and imitation. Discontinuous innovation usually results in products or services that address a need that has not been addressed before or that change the way customers go about addressing a need. Therefore option 1 is the correct answer. See page 68 of the prescribed book for explanations on the other three innovation types.

QUESTION 11

The correct answer is **1** – (1)(c);(2)(d);(3)(b). Refer to section 4.1 in the study guide.

Column A	Column B
1) Internal corporate venturing	c) Create and own new businesses.
2) Cooperative corporate venturing	d) Create new businesses and own together with external development partners.
3) External corporate venturing	a) New businesses are created outside the company and subsequently acquired by the company.

QUESTION 12

The correct answer is **3**. Refer to page 217 in Kuratko *et al* (2011).

Before getting to the creative process, let's talk about creativity. On one level creativity is messy, random, and unscientific. On another level, structure plays a role in creativity, and those who approach creativity from a more systematic perspective tend to come up with a lot more great ideas. Having said that, it is important to remember that the key to this distinction is that creativity involves incomplete guidelines that can lead to discovery. There is not always a clear path, but finding an appropriate path to a creative solution is much easier if approached as a logical process. A five-stage approach captures the essence of the different creative problem-solving techniques (although this process is not agreed upon by all researchers and consultants, it is the process we choose to follow for the purpose of this module). While the steps of the stages are presented in Table 8-2, descriptions of each stage are discussed in-text on page 217.

Stage one: Preparation = Statement d
 Stage two: Frustration = Statement e
 Stage three: Incubation = Statement c
 Stage four: Illumination = Statement a
 Stage five: Elaboration = Statement b

QUESTION 13

The correct answer is **4**. Refer to pages 178 to 179 in Kuratko *et al* (2011).

Many organisations make unintentional errors while applying a specific strategy, Porter (1991) has categorised these errors as the five fatal mistakes to which organisations continually seem to fall prey to in their attempts to implement a strategy, especially for entrepreneurial strategies. These flaws include: 1) Misunderstanding industry attractiveness; 2) No real competitive advantage; 3) Pursuing an unsustainable competitive position; 4) Compromising strategy for growth and; 5) Failure to explicitly communicate strategy internally. The smart phone industry is associated with being an attractive industry to enter, one reason being it appears glamorous. Unfortunately BB Co was not able to *continually produce desirable technological innovations as it did not have the necessary internal capacity* to do so, it fell prey to Flaws 1 and 3.

QUESTION 14

The correct answer is **2**. Refer to page 168 in Kuratko *et al* (2011).

There are various approaches to innovation. Two of the dominant approaches are called the *technology-push* and *market-pull* innovation processes. The latter, market-pull approaches to innovation start with the customer and are typically driven by marketing people, whereas with the technology-push approaches to innovation, innovation is not driven by the market, but rather by employees within the company (usually technically qualified senior staff) who see a technical possibility or opportunity and strive to capitalise on it, to develop a new service that they can offer to the customers. Therefore, option 2 is the correct answer.

QUESTIONS 15 and 16

Both questions 15 and 16 are based on the various differentiating elements between mechanistic and organic organisational structures. The elements of these structures are presented in Table 7-3 on page 198 in Kuratko *et al* (2011).

In question 15, the option containing only mechanistic structure elements is option 3 (c and d) while in question 16, the option containing only organic structure elements is option 2 (a, b and e), making options 3 and 2 the correct answers for questions 15 and 16 respectively.

QUESTION 17

The correct answer is **2**. Refer to page 197 in Kuratko *et al* (2011).

Chapter 7 is dedicated to 'Structuring the Company for Entrepreneurship'. For entrepreneurship to flourish in a corporate, it is necessary to have the right structure in place which is conducive to entrepreneurship within the respective corporate. Generally speaking, Kuratko *et al* (2011:197) believe that entrepreneurship flourishes where there are fewer layers or levels in the structure of a company, where there is decentralisation and empowerment in operations and where spans of control are broader. Therefore, option 2 is the correct answer.

QUESTIONS 18 and 19

These two questions are based on the figure by Slevin and Covin (1990) in Kuratko *et al* (2011:199-201). Amongst entrepreneurial leadership and structure, Figure 7-4 is also based on the concept of cycling. The correct answer for Question 18 is option 1 as Cell 1 represents the existence of a good fit between an organic structure and an emphasis on entrepreneurial management, producing an effective entrepreneurial company (see explanation on page 199).

To answer Question 19, study the concept of cycling and the importance of the movement between cycles – where the successful company is able to move back and forth, or cycle between Cells 1 and 3. Some companies get caught in Cells 2 and 4, where external forces might have created a determination among managers to be entrepreneurial, but without the necessary changes being made to the structure of the company. This leaves it fundamentally mechanistic – resulting in a dysfunctional company. This represents inconsistency between the structure and management style, therefore option 4 is the correct answer.

QUESTION 20

The correct answer is **4**. Refer to page 209 in Kuratko *et al* (2011).

Page 209 presents the nine design possibilities which a company may employ. A company is not limited to one of the designs, the company may use as many of them as is necessary by the diversity of their entrepreneurial initiatives. The design which has uncertain strategic importance and strong operational relatedness refers to an organisational unit known as the *micro new ventures department*.

[TOTAL: 20 Marks]

3 FEEDBACK ON ASSIGNMENT 02

Assignment 02 consists of a combination of 6 long and short questions and is based on the case study entitled **Can JR electronic Grow with E-commerce?**

QUESTION 1

By means of examples from the case study, show the characteristics displayed which are associated with an entrepreneurial individual. (5)

Students were expected to list and explain **any five** of the following sixteen points in page **223**, as well as use practical examples from the case study.

	Application
1. Calculated risk taking 1/2	They funded the original business with money they received for their wedding. 1/2
2. Opportunity orientation 1/2	Saw an opportunity to invest in the Web as an outlet for the company. 1/2
3. Creativity and innovativeness 1/2	The online loyalty program was an innovative way to keep customers at J&R, plan to bring JR.com in line with Web 2.0 concepts by populating the site with videos and introducing customer reviews. 1/2
4. Team building 1/2	He and his staff managed to piece together a customized e-commerce application that could handle the 400,000 products that J&R sold. 1/2
5. Commitment, Perseverance and determination 1/2	The upgrade process to a new version of the InterWorld software at J&R was thrown off track as the dot-com bust brought

	about the demise of InterWorld. Jason Friedman was forced to continue development of J&R's online presence without support from the software vendor. 1/2
6. Self-confidence and optimism 1/2	+ application 1/2
7. Achievement motivation Independence 1/2	+ application 1/2
8. Internal locus of control 1/2	+ application 1/2
9. Integrity and reliability 1/2	+ application 1/2
10. Resourcefulness 1/2	+ application 1/2
11. Vision 1/2	+ application 1/2
12. High energy level/work ethic 1/2	+ application 1/2
13. Persistent problem solving 1/2	+ application 1/2
14. Tolerance of failure 1/2	+ application 1/2
15. Tolerance of ambiguity 1/2	+ application 1/2

(Mark allocation: Half mark for imperative/point and another half mark for application to case study.)

QUESTION 2

How would you measure J&R's entrepreneurial intensity? Substantiate your answer by giving examples from the case study. (10)

Students were expected to read pages **377 to 380** and compare J&R's Orientation on the following:

Innovativeness ✓

- A high rate of new product/service introductions ✓ – Invested in the web as an outlet, Blue Martini, Loyalty programs. ✓
- Product improvement or revisions they introduced at a given period. ✓

Pro-activeness ✓

- An emphasis on continuous improvement ✓ - upgrade to a new version of the InterWorld software. ✓ Rapid growth as a dominant goal ✓
- Comprehensive product descriptions, product reviews from customers and
- other sources and comparison grids will also make it easier for shoppers to understand and select products. ✓

Risk taking ✓

- Risk taking by key executives in seizing and exploring chancy growth opportunities and the development of J&R's online presence without support from the software vendor. ✓

Please focus on the degree and frequency of these dimensions in your answer. This is just a few and you are expected to bring more.

Students are free to express themselves as long as they are able to study J&R in terms of their EI. Study table 14-1 in page 379 to see how it can be measured.

QUESTION 3

By means of examples from the case study, briefly discuss whether Joe and Rachelle Friedman meet the characteristics of an entrepreneurial mindset. (10)

Characteristics of an entrepreneurial mindset

Characteristic	Application
1. Passionately seek new opportunities ✓	Jason Friedman lobbied his parents to invest in the Web as an outlet for the company, J&R InterWorld Corp., a highly regarded product of the first dot-com boom. ✓

2. Pursue opportunities with enormous discipline ✓	J&R selected Blue Martini as its new e-commerce platform because Blue Martini functions well with J&R's ERP software from a technical perspective. The two systems are able to exchange data easily; Blue Martini provides a better opportunity to share the strengths of J&R's bricks-and-mortar channels online. ✓
3. Pursue only the very best opportunities and avoid exhausting themselves and their organisations by chasing after every option. ✓	The Friedmans have resisted the advice of suppliers, such as record companies, who have told them the only way to survive and compete with big box stores was to become a chain. ✓
4. Focus on execution – specifically, adaptive execution. ✓	Jason Friedman was forced to continue development of J&R's online presence without support from the software vendor. ✓ He and his staff managed to piece together a customized e-commerce application that could handle the 400,000 products that J&R sold could handle the 400,000 products that J&R sold could handle the 400,000 products that J&R sold. ✓ <i>(only 1 mark allocated)</i>
5. They engage the energies of everyone in their domain. ✓	Jason Friedman has a team of 50 IT workers backing him up, he explored ways to ensure that the JR.com would remain as popular a destination online as the bricks-and-mortar store was in the real world. ✓

*This question is open for broader application by students (the application in the table is just a guideline).
(Mark allocation: One mark for imperative/point and one mark for application to case study.)*

QUESTION 4

It is important for J&R to develop an understanding of methods that can be used to gain influence and shape behaviour. Explain how executives at J&R can use the following methods to overcome obstacles and constraints.

- Building social capital (2)
- Gaining legitimacy (2)
- Political tactics (3)
- Resource acquisition (3)

(10)

Refer to chapter 13, pages 364 to 367 in Kuratko *et al* (2011).

Building social capital (mark allocation: any two marks below)

- CE must rely on their ingenuity and persistence to build influence
- Social capital is defined as an inventory of trust, gratitude, or obligations that can be cashed in when the new project is in demand.
- Accomplished by sharing info, creating opportunities for people to demonstrate their skills and competence, building and using influence networks

Gaining legitimacy (mark allocation: any two marks below)

- Strategy – to use personal influence or influence networks to secure
- endorsements that will convince the necessary supporters of the CE's viability and credibility.
- Through experience in various new initiatives started by others, and by first achieving small successes with their own original ideas.

Political tactics (mark allocation: any two marks below)

- Rule-oriented or rule-evading tactics specifically when dealing with unreasonable requests or demands from different departments in the organisation.
- Personal-political tactics can be applied to adverse situations.
- Educational tactics such as persuasion, explanation, and clarification may be useful for unreasonable points of view.
- Organisational-interactional tactics of gaining greater autonomy or developing a cross-departmental team may prove valuable when confronting bureaucratic constraints and micromanagement from superiors.

Resource acquisition (mark allocation: any three marks below)

Methods – through co-optations, or leveraging, of the resources currently underutilised by the co. (1 mark)

Four strategies: (expand on each for one mark each, if strategy is only mentioned, half mark per strategy)

- Borrowing (half mark): to temporarily/periodically secure the use of assets or other resources, on the premise they will eventually be returned. (half mark)
- Begging (half mark): secure resources by appealing to the owner's goodwill (half mark) OR gain use of resources without having to return them, also known as 'tincupping' (half mark)
- Scavenging (half mark): extract use from goods that others do not intent to use. (half mark)
- Amplifying (half mark): capacity to lever far more value out of an asset than is perceived by the original owner (half mark)

QUESTION 5

Briefly discuss how J&R embraced the concept of innovation by quoting relevant cases in the case study. (7)

Refer to page 85 in Kuratko *et al* (2011).

J&R selected Blue Martini as its new e-commerce platform✓ because Blue Martini functions well with J&R's ERP software from a technical perspective. Blue Martini provides a better opportunity to share the strengths of J&R's bricks-and-mortar channels online. Only **one (1) mark for any of these introductory explanations**

New products✓ - Over 35 years, the Friedmans expanded the business, adding records, office equipment, cameras, computers, movies, and games. ✓

New markets✓ - Web as an outlet for the company✓

Business model✓ - 30 percent of J&R's \$400 million in revenue being generated by JR.com✓

Capabilities✓ - 50 IT workers backing Jason Friedman up, he explored ways to ensure that the JR.com would remain as popular a destination online as the bricks-and-mortar store was in the real world. ✓

(Mark allocation: One mark for introductory explanation, one for imperative/point and one mark for application to case study.) At least three points + application.

(Total marks= 7)

QUESTION 6

Why do you think J & R adopted an open innovation model? Discuss the reasons why. (8)

Refer to page 108 in Kuratko *et al* (2011).

Reason	M	Explanation	M
1. Importing new ideas is a good way to multiply the building blocks of innovation.	✓	By accessing external inputs to innovation (e.g. others' technology that is available through licensing) firms can potentially offer more and better innovative outputs (e.g. new products).	✓
2. Exporting ideas is a good way to raise cash and keep talent.	✓	A company's innovative ideas, such as its proprietary technology, can have market value that is exploitable through its sale to outside customers. Firms can avoid discouraging the people who generated those ideas.	✓
3. Exporting ideas gives companies a way to measure an innovation's real value and to ascertain whether further investment is warranted.	✓	Offers to sell internally developed innovative ideas to external markets can be litmus test for the true value of those ideas (which are often undervalued or overvalued).	✓
4. Exporting and importing ideas helps companies clarify what they do best.	✓	Collaborative efforts, the purchase of innovations/inputs to innovations to others can reveal where a firm's real bases for competitive advantage lie and, accordingly, how it should define its business.	✓
Total marks			8

(Mark allocation: One mark for imperative/point and one mark for application to case study.)

4 EXAMINATION GUIDELINES

Please note the following important information.

4.1 Year mark

The assignments will contribute a maximum of 20% towards your final mark, while the examination mark will contribute 80%. In order to pass this module you require a final mark of 50%. Irrespective of the year mark obtained, a sub minimum of 40% must be obtained in the examination. You will therefore not pass the examination if your examination mark is less than 40%. For further explanations on the calculations of your final mark, please refer to Tutorial Letter 101 which you received at the start of the semester.

4.2 Examination paper

Please take careful note of the following valuable information on the examination paper:

- ◆ The examination paper is set in English.
- ◆ The examination paper counts **70 marks** and consists of two sections (Sections A and B).
 - **Section A** (30 marks) is **compulsory** and comprises a **case study**.
 - **Section B** (40 marks) contains **three** questions of 20 marks each of which you may choose **any two** questions.
- ◆ The examination paper could include some of the questions which appeared in the assignments.
- ◆ The questions of Assignment 02 and 03 (self-assessment) are examples of how questions are asked in the examination.
- ◆ NB: You have to be able to define and describe concepts, give examples and explain what is meant by certain concepts. In certain instances, practical application is important, especially for the case study questions asked.

- ◆ Please read each question carefully before answering it. Take note of key words such as “list” or “discuss” and do what the question asks you to do. If you only list things when you also have to discuss them, you will only get part of the marks.
- ◆ Pay special attention to the mark allocation of each question, as in many cases, half ($\frac{1}{2}$) marks may be awarded.
- ◆ **NOTE:** As you are aware, in order for students to truly master a module, **ALL** the material needs to be read, understood and studied. Therefore, there is no examination scope to be provided. The primary lecturer will however be available to provide support during your examination preparations. Please check your examination date, venue and time for your convenience.

5 CONCLUDING REMARKS

We trust that you will find the feedback and information given valuable. Do not hesitate to contact us if you have any questions regarding the assignments and the feedback provided in this tutorial letter.

We wish you all the best with the upcoming examination period.

Sincerely,

The MNE3702 Team