



MNE3702
MNE302Y

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CORPORATE ENTREPRENEURSHIP

Duration 2 Hours

70 Marks

EXAMINERS
FIRST
SECOND
EXTERNAL

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Use of a non-programmable pocket calculator is permissible

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This paper consists of 5 pages
This paper may be answered in English or Afrikaans

Make sure that the following information appears on the cover of your answer book

- Your student number
- The **module code (MNE3702)**
- The **numbers** of the questions you have answered

Section A is a **compulsory** section which you have to answer
In **Section B** you must answer **any two of the three questions**

Answer the questions in the answer book provided to you. Please indicate the section and the number of the question clearly when answering

SECTION A

ANSWER ALL THE QUESTIONS IN THIS SECTION.
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Question 1

Read the case study and answer the 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 realizes that every day a product is not on the market brings it 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 R&D than Intel, Microsoft, and Sony. At 8.3 percent in 2004 and nearing 9 percent in 2005, 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.

So, 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 prowess to remain strong. Of its 113,600 employees, 27,000 are researchers. They are spread across 17 research centers around the world. 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.

The management at the center has 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 days are common. In addition, the fact that management promotes the Center as being occupied 24 hours a day, 7 days a week implies that spending the night at work may not 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.

Such rhetoric could easily be written off as mere bravado, however, 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 realizing lower manufacturing costs, higher profit margins, quicker time to market, and typically more innovative products than its competitors The company's efficiency has led to it 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, and is competing with Motorola to become the world's second largest maker 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 No 1 manufacturer in eight product categories, including flash memory chips, computer monitors, big LCD screens, and COMA mobile phones Yun aspires to double the No 1 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 *Kuratko, D.F., Morris, M.H. & Covin, J.G. 2011 Corporate entrepreneurship and innovation. Mason, Ohio: Thomson South-Western.*

- 1 1 Discuss Entrepreneurial Intensity and indicate by means of examples how it is practiced at Samsung (10)
- 1 2 In the case study, the author indicates that "beyond the fear of failure that has been ingrained in the company's culture, the company was able to keep its entrepreneurial drive as it continued to grow" Explain five elements of culture that showed how Samsung maintained its entrepreneurial drive to promote corporate entrepreneurship (10)
- 1 3 While every organisation is unique, patterns have been identified in the ways companies evolve and observers have described these stages in different ways Explain Griener's organisational life cycle stages and indicate in your answers Samsung's evolution (10)

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SECTION B

ANSWER ANY TWO OF THE FOLLOWING THREE QUESTIONS**Question 2**

- 2 1 Strategy formulation is half the battle and implementation is the other half. The actual execution of the strategy is as important as the strategy itself. Many organisations make unintentional errors while applying a specific strategy to their particular context. In the prescribed text book, Michael Porter has noted five fatal mistakes to which organisations continually fall prey in their attempts to implement strategy. Name and explain these **five fatal mistakes**. (5)
- 2 2 Corporate entrepreneurship can assume different forms in a business. Discuss corporate venturing as a form of corporate entrepreneurship. (5)
- 2 3 It is important for businesses to be adaptive to its environment. Adaptive businesses increase opportunities for its employees, initiates change and instil a desire to be innovative. Discuss **four (4)** ways in which entrepreneurial managers can remain adaptive and innovative through and beyond growth. (8)
- 2 4 How do companies create a **sense of urgency** to achieve sustainable entrepreneurship? (2)

[20]**Question 3**

- 3 1 There are, in reality, hundreds of factors within a typical business that constrain entrepreneurship. In fact, there can be so many obstacles that entrepreneurship almost seems to be a pipe dream. Discuss **five (5)** factors that could **hamper or constrain** corporate entrepreneurship. (5)
- 3 2 Of all the elements necessary for successful entrepreneurship, the individual corporate entrepreneur is the most critical. Discuss how you as an individual potential corporate entrepreneur can use the **creative process** to develop new product ideas. (5)

- 3.3 In order for a company to attain their strategic entrepreneurial objectives, proper structures must be set in place. Define a structure and discuss how the types of structures can influence the strategy of the company (5)
- 3.4 Discuss the potential “*dark side*” of entrepreneurship that confronts entrepreneurial managers as a result of **Risk, Stress** and **Ego** (5)

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Question 4

- 4.1 Strategic Entrepreneurship is an alternative form of corporate entrepreneurship. Discuss five (5) forms of strategic entrepreneurship that can be embraced in the organisation (5)
- 4.2 Remaining competitive is different to achieving sustainable competitive advantage. Discuss the five (5) key company capabilities that could be used to achieve a sustainable competitive advantage (5)
- 4.3 Discuss the **importance** of sponsors and champions within the organisation (5)
- 4.4 Discuss the role played by top level managers in contributing to the success of the entrepreneurial organisation (5)

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TOTAL [70]