

**MNE3702**

October/November 2013

CORPORATE ENTREPRENEURSHIP

Duration . 2 Hours

70 Marks

EXAMINERS :

FIRST .	MR W SAMBO
SECOND :	MISS T COHEN
EXTERNAL .	MR PJ RAS

Use of a non-programmable pocket calculator is permissible.

Closed book examination.

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue.

This paper consists of 6 pages (including this cover page).

This paper may be answered in English or Afrikaans.

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

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

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

Ensure 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

Answer the questions in the answer book provided to you. Please indicate the **SECTION** and the **NUMBER** of the question clearly when answering.

[TURN OVER]

SECTION A

**SECTION A IS COMPULSORY.
ANSWER ALL THE QUESTIONS IN THIS SECTION.**

Read the case study and answer the questions that follow

FNB, how can innovation help you?

“Built on the track record of generating organic growth, driven by entrepreneurial culture and dedication to innovation This has created significant franchise value and is an underpin to sustainable growth going forward.” ~ FNB values and culture

First National Bank (FNB) was established in 1838 in Grahamstown in the Eastern Province. Although it is South Africa's oldest bank, this division of FirstRand Limited is the third largest of the country's 'big four' banks, which include Standard Bank, Nedbank and ABSA. Despite its placement according to size, through innovative ethos the bank has created tremendous presence amongst its competitors.

FNB provides personal, commercial and corporate banking services to more than 7.2 million customers across South Africa. In recent years FNB has spent time focusing on its existing markets and has successfully grown core transactional accounts in South Africa. It has achieved this through offering customers a compelling value proposition, supported by exciting rewards programmes (such as eBucks, SLOW lounges as well as fuel, data and airtime rewards) and platform innovations such as the Banking App (giving smartphone and tablet computer device users easy access to their accounts online), cellphone banking and eWallet (a mobile money transfer solution). A positive outcome from this strategy has been the strong increase in transactional volumes, which, along with robust advances, contributed significantly to FNB's overall growth.

The words innovation and entrepreneurship can be found repeatedly all through FNB's philosophy, culture and value statements. FNB's top management places great emphasis on innovation which encourages new solutions for extending financial services to new and underserved markets. Their drive towards the development of retail banking is to focus on digital banking and consumer driven, self-service channels.

FNB outperformed its peers in 2012 when it was recognised as the bank with the best reputation in South Africa as well as the bank with the strongest brand in the mind of the consumer by RepTrak Pulse Survey and the Mail and Guardian Top Companies Reputation Index.

Not only has the bank done well on its own national turf, FNB has been placed on the international podium as the "world's most innovative bank of the year" at the 2012 BAI-Finacle Global Banking Innovation Awards. When deciding winners, the panel of judges consider the originality of the innovation and its effect and benefit on the bank and its customers. The judges praised FNB's innovative culture and advancement of retail banking, they were particularly impressed by FNB's internal competition called the Innovators Programme.

The Innovators Programme formally encourages and supports innovation, empowering business units within the bank to innovate through leadership buy-in and advocacy. The comp-

[TURN OVER]

etition was launched in 2004 and has challenged its staff to be different and to innovate. Of course, with this challenge comes incentive – FNB offers a million rand every year to any person who comes up with a great idea and then implements it. This has created a far-reaching ethos of creativity, seeing colleagues applying themselves to their jobs with a heightened sense of insight and innovation, in a large corporate which could otherwise be very bureaucratic. To date, 70,000 ideas have been logged and over 5,000 innovations have been implemented as a result of the programme – all of which have contributed towards transformation and strategic directions of the bank.

"Effectively, every employee can be an innovator and can change the way we conduct business," Michael Jordaan, FNB CEO, said in a statement. "This is an inversion of the historical top-down application of corporate strategies. With the concept of innovation we have created a far-reaching ethos of creativity, and we can see colleagues across Africa and India applying themselves to their jobs with a heightened sense of insight and innovation." According to Jordaan, efficiency and innovation is key to the bank's success – with the ideas for technological development for FNB's products and solutions, it has made banking easier and accessible to all users.

FNB has kept up with the changing environment, it has challenged the status quo, and it continues to think outside the box. With its innovative products, FNB has given itself a first mover advantage, with others following its lead in terms of banking technology and meeting the market with products that people value.

It is not hard to believe that even the co-founder of the US-based Apple, Steve Wozniak, is impressed by the kind of thinking he has seen in action at FNB as well as its financial innovations, some of which were not yet available in the US. Wozniak has described the innovations as "game-changing".

With the constantly changing business environment, FNB is actively looking for ways to remain relevant and be on top of mind to their customers. With customers in the driving seat, how can they go wrong?

Case study compiled by T Cohen, using the following sources

- FNB 2012 *Our roots* [Online] Available from. <https://www.fnb.co.za/about-fnb/about-us/our-roots.html>
- FNB 2013 *FNB voted the most innovative bank* [Online] Available from <https://www.fnb.co.za/news/archive/2013/20130422/innovative-bank.html>
- FirstRand Bank Limited 2013 *First Rand Annual Financial Report 2012* [Online] Available from <http://www.firstrand.co.za/investorCentre/Pages/default.aspx>
- Kamhunga, S 2012 *FNB challenges its rivals to innovate*. [Online] Available from <http://www.bdlive.co.za/business/financial/2012/10/10/fnb-challenges-its-rivals-to-innovate>

QUESTION 1

- 1.1 Discuss the concept *entrepreneurial intensity* and indicate by means of examples how it is practiced at FNB (10)
- 1.2 In recent years FNB has been faced with continuous changes in the *external environment*. Define the external environment and discuss recent developments in three of the *major domains* that FNB has been challenged by. (8)

[TURN OVER]

- 1.3 Which *dominant innovation process* does FNB use as an overall orientation in driving the manifestation of entrepreneurial activity in the bank? Upon naming the process you are also required to explain the approach. (3)
- 1.4 Describe what it means to be an *adaptive company* and discuss the four flexible rules as applied at FNB in building such an organisation. (9)

[30]

SECTION B

ANSWER ANY TWO OF THE FOLLOWING THREE QUESTIONS

QUESTION 2

Ekin Tech (ET) Ltd has been running its business in the very traditional sense. Over the years ET Ltd. has lost market share while it has seen its competitors thrive in the market place. As a new consultant to ET Ltd you have noticed that a contributing factor to this is that managers have failed in becoming adept at 'entrepreneurship'. You have identified two ways of illustrating this; firstly ET Ltd have been operating in a reactive mode and secondly, it has been operating in a very controlling manner, especially when it comes to the transparency of its financial situation and top management decisions.

Your first assignment as consultant to ET Ltd. is to address the following.

- 2.1 Provide a description of *proactiveness* and suggest the three *key ways* in which it can be manifested at ET Ltd. (4)
- 2.2 The entrepreneurial philosophy of control extends to the financial records and books of ET Ltd. As an operating model, you recommend an *open book management* approach. In doing so, you are required to *describe* open book management and list the key *ingredients*, also known as principles, constituting such an approach. (8)
- 2.3 ET Ltd. has asked what type of entrepreneur one might find within an organisation. Miner (1996) identified four different types of entrepreneur, each of which achieves success by approaching entrepreneurship from a different route. List the *four types of entrepreneur* and indicate at least two ways in which each type of entrepreneur approaches entrepreneurship (8)

[20]

[TURN OVER]

QUESTION 3

CBA Creative is a company which would like to instil an innovative culture amongst its workforce. There are many factors within the typical company that constrain entrepreneurship. Currently, the human resource (HR) practices at CBA Creative are not consistent with entrepreneurial behaviour and the people factor represents the greatest obstacle to entrepreneurship within the company.

As the newest member in the Research and Innovation team, you would like to help with the following

- 3.1 CBA Creative does not understand why the *people factor* may represent the greatest challenge. They have asked you to list and explain *four reasons* why people in the organisation could be *constraints* on corporate entrepreneurship? (4)
- 3.2 You have been tasked to illustrate how Human Resource Management practices can facilitate corporate entrepreneurship. In doing so, provide the *five general areas of HRM* and indicate *two ways* or practices for each of these areas which will encourage entrepreneurship (hint: you may make use of a table or figure). (10)
- 3.3 Discuss how personnel at the *grassroots level*, operating as “order takers” or “autonomous actors”, can *result in entrepreneurial initiatives* at CBA Creative (4)
- 3.4 You have noted that perhaps CBA Creative needs to develop a corporate strategy that is more entrepreneurial. Define an *entrepreneurial strategy*. (2)

[20]

[TURN OVER]

QUESTION 4

- 4.1 Entrepreneurship can be manifested in companies through corporate venturing
Discuss the three *modes of corporate venturing* (6)
- 4.2 Identify and discuss the four pure types of corporate *venture capital investment* (8)
- 4.3 To create wealth, companies will need to establish linkages between entrepreneurial actions and strategic actions within six *dominant "domains"*
List and briefly explain each of these domains (6)

[20]

TOTAL [70]