

# Tutorial Letter 201/2/2015

## CORPORATE ENTREPRENEURSHIP

**MNE3702**

### Semester 2

### Department of Business Management

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

BAR CODE

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## 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.

## 2 FEEDBACK ON ASSIGNMENT 01

Although there will be no multiple-choice questions in the examination, the following clarities 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 **3. (Covering option 1 & 2)** Refer to page 158 in Kuratko *et al* (2011).

Strategic innovation pertaining to product-focused entrepreneurial initiatives has the following seven core components

1. The company makes a strong commitment to an active policy of finding and developing new products, with top management heavily involved in project initiation and support.
2. Innovation is defined as a company-wide task, not simply the responsibility of an R&D department or new product development department in isolation.
3. Strategies are formulated for the nature of new products and services to be developed, including the extent to which innovation projects are concentrated around the company's current product line or are more diversified, and the desired levels of innovativeness, quality, and customisation.

4. Strategies are formulated for the nature of the technologies to be utilised in new products and processes.
5. Strategies are formulated for the types of markets to be served through the company's innovative efforts, including how new or mature these markets are in general, and the newness of these markets to the company.
6. There is a clear sense of how aggressive or defensive the innovation efforts of the company are intended to be and a clear understanding of the planned levels of resource commitment to innovation as a percentage of company revenues.
7. The company has a planned approach for sourcing new product ideas, and a policy regarding the relative reliance on external (i.e. outsourced or licensed) versus internal product development.

## **QUESTION 2**

The correct answer is **3**. Refer to pages 100 in Kuratko *et al* (2011).

With this form of strategic entrepreneurship the firm is in constant pursuit of entrepreneurial opportunities. Through domain redefinition, firms move into uncontested markets, or the so called "blue oceans".

## **QUESTION 3**

The correct answer is **2**. Refer to page 188 in Kuratko *et al* (2011).

Decentralised structures are consistent with the encouragement of individual initiative, experimentation and innovation.

## **QUESTION 4**

The correct answer is **2**. Refer to page 209 in Kuratko *et al* (2011).

With a separate business unit, a specially dedicated and operationally distinct unit is created inside the corporate structure to house the entrepreneurial initiative.

**QUESTION 5**

The correct answer is **2**. Refer to page 175 in Kuratko *et al* (2011).

It is the portfolio perspective suggesting that innovation can originate from throughout the organisation. Refer to “*instilling the desire to be innovative*” under **some contributing factors to entrepreneurial strategy** on page 174.

**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 of EI, take a look at Figure 3-5 in the prescribed book.

To answer question 7, we know that JJ 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 pro-activeness.

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 more on innovativeness, risk-taking and the third dimension pro-activeness 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.

<b>Column A</b>	<b>Column B</b>
Internal corporate venturing	c) Create and own new businesses.
Cooperative corporate venturing	d) Create new businesses and own together with external development partners.
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 & 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 **2**. 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*.

## 3 FEEDBACK ON ASSIGNMENT 02

Assignment 02 consists of a combination of 8 long and short questions and was based on all the chapters of the prescribed book. All the questions were based on the case study entitled **Virgin**.

### QUESTION 1

Where would you place Virgin in the entrepreneurial grid and why? (6)

Refer to Page 75 in Kuratko *et al*. (2011).

Virgin 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. One can then plot Virgin in the continuous/incremental quadrant, e.g. Virgin is actually made up of lots of small companies' 20 umbrella companies with some 270 separate, semi-independent businesses, most set up in partnership with other companies.

**QUESTION 2**

As a business consultant to Richard Branson, explain to him how Virgin can grow through collaboration. (6)

Refer to pages **Page 17-18** in Kuratko *et al.* (2011).

I would advise that the very nature of Virgin be reinvented by:

- Simplifying structures and procedures (though it appears to be, just to make sure and emphasise) ✓
- Reducing the head office staff (Continue doing it) ✓
- Re-assign staff experts to consulting teams assisting field operations ✓
- Create the matrix structure- it is suitable for companies that operate with multiple business units in multiple countries. They distribute through multiple channels to different customer segments and this is exactly the position of Virgin. ✓
- Encourage experimentation in all facets of business (Make failure a good thing and if possible reward the efforts) ✓
- Emphasise innovation projects (reward innovation) ✓

**QUESTION 3**

Some elements of culture apply in the case study. With relevant quotes from the case study, identify and explain what elements of culture are evident at Virgin. (7)

Refer to pages **Page 269** in Kuratko *et al* (2011).

**Values** ✓- values express preferences for certain behaviors and outcomes; entrepreneurial values might include creativity, integrity, perseverance, individualism, achievement, accountability, ownership, and change, among others. ✓ In the case study it has been mentioned that Virgin is associated with value for money, quality, good service, innovation, fun and a sense of competitive advantage. ✓

**Methodology** ✓ - the perception of how things actually get accomplished in the company, such as the reliance on rational processes, politicking, or rule-bending. For instance, having a sponsor and preparing a business plan

with certain key ingredients might be part of the methodology for innovating in a company.√ It is evident through this quote from the case study “*Convention dictates that big is beautiful, but every time one of our ventures gets too big we divide it up into smaller units, each time we do this, the people involved haven’t had much more work to do, but necessarily they have a: greater incentive to perform and a greater zest for their work.*”√

**Rituals-rites, ceremonies, and taboos** √ including random recognition ceremonies, annual off-site conferences, Christmas parties, as well as how employees are welcomed, let go, and retire.√ The Richard Branson’s summer party for staff is a ritual for Virgin.√

*Any other relevant point. At least two points plus case application up to 7 marks*

#### **QUESTION 4**

Briefly explain to Virgin group the entrepreneurial imperatives of Richard Branson in the organization. (5)

Students were expected to mention and explain any five of the following six points, as well as use practical examples from the case study.

Refer to chapter 12, **page 327** in Kuratko *et al.* (2011). (*Mark allocation: Half mark for imperative/point, half mark for description of point, full mark for application to case study.*)

- **Nourish an entrepreneurial capability (1/2 mark)**

Invest in the development of an institutionalised organisational capacity for innovation and entrepreneurship. (1/2 mark)

Application could include: (1 mark for well-presented application. Below is an example of how one might have ‘applied’ question. The student may have received marks for another application granted it made sense.)

Executives of Virgin should understand & manipulate the drivers of innovative activity, including the three considerations of vision, organisational architecture and human resources. The capability needed is one that allows innovative ideas to emerge and diverse locations throughout the organisation.

- **Protect disruptive innovations/** that threaten the current organisation

Selectively protect the innovations that seem disruptive or threatening to the organisations mainstream operations by ‘cocooning’ them in their infancy. Organisations tend to ignore, passively discount/discredit/destroy innovative ideas whose success might undermine the competitive or profitability of current business opportunities.

Application could include:

Top-level managers (executives) need to selectively protect these ‘disruptive innovations’ since they will often evolve into engines that drive future sales growth. Such protection would involve ‘cocooning’ or protecting innovative projects during their infancy, a time which they are generally most vulnerable to negative intervention from those inside and outside the company who are threatened by the innovation.

- **Make opportunities make sense**

Expand the opportunity ‘radar screen’ such that personnel can recognise and appreciate the hidden opportunities associated with their jobs.

Application could include:

Executives should actively seek to expand the “radar screen” used by organisational personnel to define the company’s entrepreneurial opportunities.

This could be accomplished by: (1) communicating a broadened definition of Virgin’s ‘business’ (2) challenging employees to define the Virgin’s opportunities from the perspective of an innovation model other than that which is dominant for Virgin (3) Openly and regularly articulating alternative and plausible future scenarios for RIM.

- **Question the dominant logic**

Challenge conventional strategic practices, norms, and mindsets such that innovation is not hampered by tradition or other social or psychological constraints.

Or

Question the ways in which managers conceptualise the business and make critical resources-allocation decisions.

Application could include:

Top-level management should question the dominant logic in order to frequently identify new products, markets, businesses, business models, and strategies.

When executive's question Virgin's prevailing dominant logic, it allows room for various forms of entrepreneurship to take place.

- **Revisit the 'deceptively simple questions'**

The deceptively simple questions are those whose answers DEFINE the company and its operations in a very fundamental sense.

Application could include:

Although there are no single, correct, enduring answers over the course of a company's existence, Top-level managers should re-ask these basic questions (such as 'what business are we in?' and 'what do our customers value?') and attempt to answer these questions in order to identify new opportunities for growth.

- **Link entrepreneurship and strategy**

Integrate the entrepreneurial and strategic processes of the organisation to facilitate the recognition and exploitation of strategically significant opportunities for innovation.

Application could include:

Top-level managers should look beyond the scope of what might seem straightforward strategy and incorporate entrepreneurial initiatives within their strategy-making processes.

*[Remember: Application is extremely important – five of the ten marks were awarded for application]*

## QUESTION 5

Entrepreneurial initiatives can be held back or derailed at Virgin because of a number of shortcomings of the corporate entrepreneur. There are limitations that the Virgin group is likely to face. Explain the limitations that may lead to Virgin managers/corporate entrepreneurs to fail. (10)

Refer to **page 356** in Kuratko *et al.* (2011).

- Lack of political savvy: learning to work the system✓
- Lack of time: crisis management✓
- Lack of incentive to innovate: Beyond tokenism✓

- Lack of financial credibility: Inability to project believable numbers✓
- Lack of people management skills: Autocracy rules✓
- Lack of legitimacy: untested concepts and untested entrepreneur✓
- Lack of seed capital: The problem of early resources✓
- Lack of open ownership: protecting turf✓
- Lack of sponsor: someone to watch over you. ✓
- Lack of energy and shared enthusiasm: the inertia problem. ✓
- Lack of personal renewal: the *issue* of reinforced denial✓
- Lack of urgency: fear as **good** and bad✓
- Lack of appropriate timing: the resource shift dilemma✓

*Any ten (10) = (10 marks)*

## QUESTION 6

Briefly explain how Virgin can maximize learning from their CE projects. (6)

This question was open for interpretation and marks are awarded for relevant application.

Refer to **page 89** in Kuratko *et al.* (2011).

- By building a new business as a laboratory in which the innovation process can be studied✓- this will enable the organization to learn about the process of venturing✓.
- By building a new business as a basis for acquiring new knowledge and skills pertaining to technologies, products, or markets of potential strategic importance✓- by doing so organizations will be able to develop new competencies for the employees✓.
- Building a new business as a training ground for the development of individuals with general management potential✓- this will assist in the development of managers in the organization✓.

*One mark for a point and another for explanation to a maximum of six (6)*

**QUESTION 7**

Briefly explain how Virgin can acquire more resources for growth. (4)

Refer to **page 367** in Kuratko *et al.* (2011).

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)

*Total = 4 marks*

**QUESTION 8**

Briefly explain what external challenges Virgin is likely to face in their core Human Resources (HR) function. (6)

Refer to **page 245** in Kuratko *et al.* (2011).

- Characteristics of the Changing Work Force✓
- Increasing Legal Requirements✓
- Complex Ethical Issues✓
- Outsourcing and Other Global Challenges✓
- Labor Relations and Union Pressures✓
- Changing Technology Affecting the Workplace✓

*= 6 marks*

**[TOTAL: 50 Marks]**



## 4 EXAMINATION GUIDELINES

**Please note the following important information.**

### 4.1 Year mark

The assignments will contribute a maximum of 20% towards your year 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. However, to alleviate some of the pressures during your final revision, an examination breakdown and some exam pointers **may be posted (at discretion of the lecturer) on myUnisa**, and if so, that will be approximately **a week before the MNE3702 examination**. Please check your examination date, venue and time for your convenience.

## 5 CONCLUDING REMARKS

We trust that you found 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