

Tutorial letter 201/1/2018

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.

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**. Refer to page 158 in Kuratko *et al* 2011).

Strategic innovation pertaining to product-focused entrepreneurial initiatives has the following seven core components: (which number 2 is option 3 of question 11).

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 the 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 customization.

4. Strategies are formulated for the nature of the technologies to be utilized *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 called: "blue oceans".

QUESTION 3

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

Decentralized 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 organization. Refer to “*instilling the desire to be innovative*” under **some contributing factors to entrepreneurial strategy** in 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

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

Column A	Column 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. It is important to remember that the key to this distinction is the fact 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

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 correct answer is **2**. Refer to page 209 in Kuratko *et al* (2011). 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 seven (7) long and short questions and was based on all the chapters of the prescribed book.

Questions 1 and 2 below were based on the case study entitled *What Does the Future Hold for the Blackberry?*

QUESTION 1

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 entrepreneurial imperatives of strategic leadership and indicate how the executives at RIM are tasked with this.

Students were expected to identify and explain any five of the following six points, as well as use practical examples from the RIM 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 RIM 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:

Top-level managers (executives) should actively seek to expand the "radar screen" used by organisational personnel to define the company's opportunities.

This could be accomplished by: (1) communicating a broadened definition of RIMs 'business' (2) challenging employees to define the RIM's opportunities from the

perspective of an innovation model other than that which is dominant for RIM (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 RIMs 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 straight-forward 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 2

Research in Motion has been confronted with dynamic, threatening, and complex changes in the external environment, and has been forced to adapt. There are four flexible rules which enhance a venture's chance of remaining adaptive and innovative, both through and beyond the growth stage. Identify and explain each of these rules and highlight how these rules relate to RIM. (8)

Refer to chapter 15, pages 432 to 433 in Kuratko *et al* (2011). (Mark allocation: Half mark for stage, half mark for description of stage, full mark for application to case study.)

- **Share the entrepreneurial vision**

The entrepreneurial vision must be permeated throughout the organisation in order for employees to understand the company's direction and share in the responsibility for its growth.

Application:

RIM has found that sustaining innovative leadership is a continuous challenge today, despite this they should strive to apply and live their statement "innovation knows no boundaries or borders". If employees live by this they will be more willing to risk trying the 'impossible'.

Senior managers can communicate the vision directly to the employees through meetings, conversations, seminars or even symbolic events and social gatherings, etc.

- **Increase the perception of opportunity**

This can be accomplished with careful job design where work task should have objectives for which people will be responsible.

Application:

Top management must regularly review the company's opportunity horizon, attempt to stretch that horizon, and reinforce a focus throughout the organisation on opportunity recognition.

RIM should always be on the lookout and open to identify and act on opportunity. Whether that be through its competitors or through ever-changing technological advances.

- **Institutionalize change as the organisation's goal**

This entails a preference for innovation and change rather than preservation of the status quo.

Application:

If opportunity is to be perceived, the environment of the enterprise must not only encourage it but also establish it as a goal.

- **Instill the desire to be innovative**

A desire of personnel to pursue opportunity must be carefully nurtured.

Application:

Steps taken – a reward system (e.g. bonuses, awards, salary advances etc.), an environment that allows for failure (-minimize fear of failure, ppl become willing to accept the challenge of change and innovation), flexible operations (creates the possibility of change taking place and having a positive effect), and development of Innovation-teams (visionary, committed teams that have the authority to create new directions, challenge status quo etc).

QUESTION 3

Organisations should create an environment where various employees are willing to serve in different capacities on a regular basis. Explain the role of the sponsor as well as the supporter. **(2)**

Refer to chapter 8, page 234 in Kuratko *et al* (2011).

Sponsor (Half mark for each point below)

- The leader/sponsor of the initiative, pushing for acceptance and completion.
- Playing a major advising or mentoring role as the initiative unfolds and protecting it.

Supporter (Half mark for each point below)

- Augments the team, plays a secondary or more minor role
- Provides expertise, intelligence, analysis, and marketing plans/programmes on behalf of the initiative.

QUESTION 4

It is important for an entrepreneur to develop an understanding of methods that can be used to gain influence and shape behaviour. How can an entrepreneur use the following methods to overcome obstacles and constraints?

- Building social capital (2)
 - Gaining legitimacy (2)
 - Political tactics (2)
 - Resource acquisition (3)
- (9)**

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: 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-interactive 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 intend 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

While entrepreneurship does not happen without individuals, it also does not happen without teams. Individualism versus collectivism is a value that exists in most companies, even when management is unaware of it.

5.1 Define the concepts of Individualism and Collectivism. (4)

Refer to chapter 10, page 280 in Kuratko *et al* (2011). (Mark allocation: 1 mark for each definition – use two half marks per definition)

Individualism: a self-orientation, an emphasis on self-sufficiency and control, the pursuit of individual goals that may or may not be consistent with those of one's colleagues, and a value system where people derive pride from their own accomplishments.

A group or collective orientation involves the subordination of personal interest to the goals of the larger work group, an emphasis on sharing, a concern with group welfares, and antipathy toward those outside the group.

5.2 Give the merits of Individualism versus Collectivism by indicating four positive aspects and four negative aspects of each. You may use a table to structure your answer. **(8)**

Refer to chapter 10, Table 10-3, page 281 in Kuratko *et al* (2011). *(Half mark for each positive aspect and half mark for each negative aspect)*

QUESTION 6

Joseph manages a team in the Research and Development Department at DigiMagic Solutions. At DigiMagic, entrepreneurial leadership is encouraged to take place at all levels within the company. In order for middle management to contribute to the entrepreneurial process, what roles would Joseph play? Describe the four roles of middle management. **(4)**

Refer to chapter 12, page 339 in Kuratko *et al* (2011). *(Mark allocation: 1/2 mark for listing the role, ½ mark for description of the role.)*

Championing

– nurture and advocate, champion, present alternatives to top management

Synthesizing

– categorise issues, sell issues to top management, blend strategic and hands on information, synthesise

Facilitating

– nourish adaptability and shelter activity, share information, guide adaptation, and facilitate learning

Implementing

– implement, revise and adjust, motivate and inspire, coach

QUESTION 7

Step II (two) of the Entrepreneurial Health Audit is Diagnosing the Climate for Corporate Entrepreneurship. During this step, a Corporate Entrepreneurship Climate

Instrument (CECI) is used. Describe the five key antecedents which the CECI is designed around. (5)

Refer to page chapter 14, pages 381 to 382 in Kuratko *et al* (2011). (Mark allocation: Half mark for naming, half mark for explanation.)

- **Management support**

The willingness of top-level managers to facilitate and promote entrepreneurial behaviour.

- **Work discretion/autonomy**

Top-level managers' commitment to tolerate failure, provide decision-making latitude and freedom from excessive over-sight, and delegate authority and responsibility to managers.

- **Reinforcement**

Developing and using systems that reinforce entrepreneurial behaviour, highlight significant achievements, and encourage pursuit of challenging work.

- **Time availability**

Evaluating workloads to ensure that individuals and groups have the time needed to pursue innovations and that their jobs are structured in ways that support efforts to achieve short- and long-term organisational goals.

- **Organisational boundaries**

Precise explanations of outcomes expected from organisational work and development of mechanisms for evaluation, selecting, and using innovations.

[TOTAL: 50 Marks]

5 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. 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.

6 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

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