

MNE3702

May/June 2014

CORPORATE ENTREPRENEURSHIP

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

MR W SAMBO

SECOND

MISS T COHEN

EXTERNAL

MR PJ RAS

Closed book examination

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This paper consists of 5 pages (including this cover page)

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

GE Acting Like a Start-Up

In an attempt to stoke the entrepreneurial flames in a \$134 billion company, GE's CEO Jeff Immelt has begun to reinvent the company as a harbinger of technological innovation. Towards this end, he has mandated that his managers start treating the company as a network of tech start-ups rather than as a collection of big businesses. Their mission is to take the scientific lead in new markets that include clean energy, medical diagnostics, nanotech, security, and jet-propulsion systems. As a result of his pursuit of "constant reinvention," Immelt believes that the new GE will be more entrepreneurial *and* more science-based, resulting in it being better positioned for faster growth organically rather than through acquisitions.

With 11 different major business lines, tens of thousands of products, and 315,000 employees in more than 100 nations, plus Immelt's growth targets requiring the company to produce more than \$9 billion in new annual revenue, the move towards a more entrepreneurial culture will most likely lead to more projects failing than succeeding. Immelt's attempt to instill the mentality of a start-up firm into the organization will face complications, however, the alternative is to forge to become an average company with little opportunity for growth through internal innovation. Given that GE's stock price is down 50 percent from its mid-2000 peak and its streak of double-digit revenue and profit growth was broken in 2001, the company's growth prospects and reputation are hanging in the balance.

To make sure that the focus of the company is in line with his own, Immelt has tied compensation to internal growth. In addition, he has hired 5,000 engineers since 2001 and has upped the number of engineers among the top 175 officers from the 7 in place when he took over to 21. He has also cut the acquisitions team by two-thirds, appointed a 15-year GE veteran to the position of chief marketing officer, a position eliminated by former CEO Jack Welch, assigned a marketing leader to each major business line, and hired 5,000 additional salespeople. Immelt, disappointed with results, met with the marketing directors to reinforce the idea that he was serious about innovation, and tasked each director to come up

[TURN OVER]

with five ideas for new growth businesses, each of which would need to generate at least \$100 million in new revenue within three years

Through this initiative, 50 "imaginative breakthroughs" have been delivered to Immelt, with 35 of them being approved. Some of the ideas include mobile ultrasound machines and emergency water purification systems mounted on truck trailers. Sales projections for the new developments, assuming the projects lead to commercially successful projects, are \$5 billion. Immelt's push for new ideas has forced GE managers to look at their operations from different perspectives to attempt to meet market needs that would otherwise be left to other divisions. One example of such cross-collaboration could be seen when a manager was giving a presentation on the use of fingernail-size sensors that communicate with one another. A veteran engineer that was familiar with the operation of oil refineries made a connection between the functionality of the sensors and the need of petrochemical plants to remotely monitor their electrical equipment and machinery. As a result, GearTrak, a product that uses infrared sensors commonly used in microwave ovens along with wireless technology designed for security systems, was developed.

Clearly Immelt's overarching goal in his relentless pursuit of innovation is to regain GE's once common double-digit growth. In order to reach this goal, he expects to produce up to 7 percent in additional revenue annually from internal growth, while the rest would be gained through acquisitions. When such estimates are applied to a \$134 billion company, the results indicate that GE will have to generate a less than paltry \$9.4 billion through its innovation, with that number growing year over year. Immelt sees progress now that he has identified GE's seven "growth" businesses which should account for 85 percent of revenue, up from 68 percent in 2000. With renewed focus on new product development and the marketing process to get those products to market, Immelt has taken a lumbering colossus of a company and instilled the agility necessary to compete.

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QUESTION 1

- 1 1 By means of examples from the case study, briefly discuss whether Jeff Immelt and his managers at GE meet the characteristics of an entrepreneurial mind set. (5)
- 1 2 What is understood by entrepreneurial intensity? Discuss this term and show by means of examples from the case study how it is practiced at GE (10)
- 1 3 Relate the key entrepreneurial imperatives of top level executive/s to the efforts exhibited by the top level executives at GE in the case study (6)
- 1 4 Entrepreneurial initiatives can be held back or derailed at GE because of a number of shortcomings of the corporate entrepreneur. What limitations is GE likely to face?
Explain the limitations that may drive corporate entrepreneurs at GE managers to fail (5)
- 1 5 Indicate and explain the rules for fostering an innovative environment as applied at GM (4)
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SECTION B

ANSWER ANY TWO OF THE FOLLOWING THREE QUESTIONS

QUESTION 2

- 2 1 Show four (4) similarities and four (4) differences between Corporate and Start-up Entrepreneurship (8)
- 2 2 There are specific reasons why firms engage in corporate venturing? Explain five of these reasons (5)
- 2 3 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)
- 2 4 Explain the concept of strategic entrepreneurship (2)
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QUESTION 3

- 3 1 What are the commandments of the corporate innovator? (8)
- 3 2 Briefly explain the external challenges that organizations face in their core Human Resources functions (6)
- 3 3 Every organization needs a strategic reward system for employees that address all their needs. The problem with reward systems in many businesses today is that elements addressed aren't properly aligned with the company's other corporate strategies

Explain six (6) creative approaches that organizations can use to reward employees (6)

[20]

QUESTION 4

- 4 1 In order to meet the needs of a new project in the organization, the corporate entrepreneur, must attempt to convince someone or some unit to change current behaviour patterns. Briefly explain how organizations can overcome the obstacles and constraints they face to gain influence and shape the behaviour of managers (6)
- 4 2 Culture of a company is manifested in hundreds of different ways, some planned and many unplanned. One way to classify the many components of culture involves distinguishing among six elements. Explain any five of the six elements of culture (10)
- 4 3 Explain how the machine bureaucracy structure can promote and/or hinder corporate entrepreneurship within an organisation (4)

[20]