

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
GRADUATE SCHOOL OF BUSINESS
MASTER OF BUSINESS LEADERSHIP
CORPORATE ENTREPRENEURSHIP AND INNOVATION (MBL 530)
EXAMINATION PAPER
DURATION: 3 HOURS 30 MINUTES

 JUN 2023

Instructions and information to candidates

1. Section A is compulsory
 2. Answer Question One from Section A and any three (3) questions from section B
 3. The paper carries six questions
 4. All questions in section B carry equal marks of 20 each
 5. The use of cell phones is not allowed in the exam
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SECTION A: [COMPULSORY]

QUESTION 1

CASE STUDY: KODAK AND THE REVOLUTION IN THE PHOTOGRAPHY AND VIDEOGRAPHY INDUSTRY

Kodak was founded in 1888 by George Eastman as '*The Eastman Kodak Company*' was the most famous name in the world of photography and videography in the 20th century. It brought a revolution in the photography and videography industries. At the time when only huge companies could access the cameras used for recording movies, Kodak enabled the availability of cameras to every household by producing equipment that was portable and affordable. Kodak was the most dominant company in its field for almost the entire 20th century, but a series of wrong decisions killed its success. The company declared itself bankrupt in 2012.

Kodak, for many years, enjoyed unmatched success all over the world. By 1968, it had captured about 80% of the global market share in the field of photography. Kodak adopted the 'razor and blades' business plan. The idea behind the razor-blade business plan is to first sell the razors with a small margin of profit. After buying the razor, customers will have to purchase consumables (razor blades) again and again; hence, sell the blades at a high-profit margin. Kodak's plan was to sell cameras at affordable prices with only a small margin for profit and then sell the consumables such as films, printing sheets, and other accessories at a high profit margin.

Using this business model, Kodak was able to generate massive revenues and turned into a money-making machine. As technology progressed, the use of films and printing sheets gradually came to a halt due to the invention of digital cameras in 1975. However, Kodak dismissed the capabilities of the digital camera and refused to do something about it. The inventor of the digital camera, Steven Sasson, was an electrical engineer at Kodak when he developed the technology. When Steven told the bosses at Kodak about his invention, their response was, "*That's cute, but don't tell anyone about it. That's how you shoot yourself in the foot!*"

Kodak ignored digital cameras because the business of films and paper was very profitable at that time and if these items were no longer required for photography, Kodak would be subjected to huge losses and end up closing down the factories which manufactured these items. The idea was then implemented on a large scale by a Japanese company 'Fuji Films'. Many other companies started the production and sales of digital cameras, leaving Kodak way behind in the race. The

ignorance of new technology and not adapting to the changing market dynamics initiated Kodak's downfall.

After the digital camera became popular, Kodak spent almost 10 years arguing with Fuji Films, its biggest competitor, which the process of viewing an image captured by the digital camera was a typical process and people loved the touch and feel of a printed image. Kodak believed that United States of America citizens would always choose it over Fuji Films, a foreign company.

Fuji Films and many other companies focused on gaining a foothold in the photography and videography segment rather than engaging in verbal spats with Kodak which wasted time promoting the use of film cameras instead of emulating its competitors.

Kodak completely ignored the feedback from the media and the market. It tried to convince people that film cameras were better than digital cameras and lost 10 valuable years in the process. The company also lost the external funding it had during that time. People also realized that digital photography was way ahead of traditional film photography. It was cheaper than film photography and the image quality was better. Around that time, a magazine stated that Kodak was being left behind because it was turning a blind spot to new technology. The marketing team at Kodak tried to convince the Managers about the change needed in the company's core principles to achieve success. But Kodak's Management Committee continued to stick with its outdated idea of relying on film cameras and claimed the reporter who said the statement in the magazine did not have the knowledge to back his proposition.

Kodak failed to realize that its strategy which was effective at one point was now depriving it of success. Rapidly changing technology and market needs negated the strategy. Kodak invested its funds in acquiring many small companies, depleting the money it could have used to promote the sales of digital cameras. When Kodak finally understood and started the sales and the production of digital cameras, it was too late. Many big established themselves in the market by then and Kodak could not keep pace with the big shots.

In the year 2004, Kodak finally announced it would stop the sales of traditional film cameras. This decision made around 15,000 employees (about one-fifth of the company's workforce at that time) redundant. Before the start of the year 2011, Kodak lost its companies had already place on the Standard and Poor 500 index which lists the 500 largest companies in the United States on the

basis of stock performance. In September 2011, the stock prices of Kodak hit an all-time low of \$0.54 per share. The shares lost more than 50% of their value throughout that year.

By January 2012, Kodak had used up all of its resources and cash reserves. On the 19th of January in 2012, Kodak filed for Chapter 11 bankruptcy protection which resulted in the reorganization of the company. Kodak was provided with \$950 million on an 18-month credit facility by the CITI group which enabled Kodak to continue functioning. To generate more revenue, some sections of Kodak were sold to other companies. Along with this, Kodak decided to stop the production and sales of digital cameras and stepped out of the world of digital photography. It shifted to the sale of camera accessories and the printing of photos. Kodak had to sell many of its patents, including its digital imaging patents, which amounted to more than \$500 million in bankruptcy protection.

(Adopted from the Daily Invest13 -08-21)

Required:

- a) Kodak is reported to have enjoyed unmatched success all over the world, for many years, Justify this assertion using facts provided in the case study. **(10 marks)**
- b) From the case study, determine the major corporate entrepreneurship and innovation missteps at Kodak and their impacts on the organisation. **(15 marks)**
- c) Recommend to other leadership in organisations in the information and communication technology industries on corporate entrepreneurship and organisational innovations to avert the Kodak dilemma **(15 marks)**

[Total: 40 marks]

SECTION B: *Answer any three (3) questions from this section*

QUESTION 2

Drawing from your managerial/personal experience, provide an appraisal of factors you consider as impeding entrepreneurship and innovation in organisations. Support your answer with relevant examples.

[20 marks]

QUESTION 3

In a Corporate Entrepreneurship and Innovation tutorial, some of your Colleagues express concern that they still find it challenging to differentiate between entrepreneurial organisations and non-entrepreneur. Corroborating your response with relevant examples, assist your Colleagues in their dilemma. **[20 marks]**

QUESTION 4

With relevant illustrations, elaborate how organisations may transform themselves into entrepreneurial and innovative entities. **[20 marks]**

QUESTION 5

You have recently been elevated to the position of Projects Director in your organization, detail how you would incorporate strategic management in your organisation to ensure that your function meaningfully contributes to your organisation's entrepreneurship and innovation efforts. Substantiate your response with relevant examples. **[20 marks]**

QUESTION 6

Discuss the benefits that would accrue to managers if they understand the differences between entrepreneurs and intrapreneurs/corporate entrepreneurs. Motivate your discussion with relevant examples. **[20 marks]**

END OF EXAMINATION PAPER