

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

GRADUATE SCHOOL OF BUSINESS

MASTER OF SCIENCE IN ENTREPRENEURSHIP AND INNOVATION

CORPORATE ENTREPRENEURSHIP (MEI 508)

EXAMINATION PAPER

DURATION: 3 HOURS 30 MINUTES

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 examination.
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SECTION A: [COMPULSORY]

QUESTION 1

CASE STUDY: CORPORATE ENTREPRENEURSHIP AT GEFEBE ELEKTRO GMBH

Founded in 1969 with headquarters in Gladbeck, North Rhine Westphalia, the Gefeba Elektro GmbH is a German medium-sized company operating as a systems provider for ready-to-use automation technology. The company employs approximately 150 employees in 2022. As a limited liability company (German: GmbH), financial statements are confidentially treated. However, it is important to underline that the Gefeba Elektro GmbH is a challenger of larger companies such as Siemens or Schneider Electric. The company has been able to create competitive advantage over large competitors such as Siemens or Schneider Electric through entrepreneurial behavior as further explained by client project managers.

Corporate entrepreneurship and the relevance of the context of Gefeba Elektro GmbH as a SME

Gefeba has been classified as a SME according to its size. The criteria for the classification of the company are from the European Commission based on the numbers of employees, and the annual turnover or the annual balance sheet in total. Hence based on those criteria, Gefeba Elektro GmbH appears to be an SME. The role of an SME is central for the European economy according to the European Commission. Indeed, the SMEs are particularly interesting because they are playing a significant economic role in terms of employment creation, innovation and boosting economic growth and even other aspects of social development, in general, and in industrial expansion, in particular. SMEs are also at the center of attention from the European Commission because they are numerous in European countries, acting as the engine for growth of the economy. According to the European Commission, SMEs account for 99.8 per cent of companies in the European Union (European Commission, 2008) and generate 60 per cent of GDP and employ 70 per cent of private sector workers.

The geographic location of Gefeba Elektro GmbH is very important since it is situated in Germany and participates at the famous German Mittelstand, envied by several countries because of its strength, growth and financial performance. However, SMEs face some difficulties in comparison to larger companies. For instance, the resources of SMEs are limited

as compared to larger organizations (Gunasekaran et al., 2011). They also lack economies of scale. Moreover, considering the rapid changes in the market, the SME are more sensitive to fluctuations in the industry and the market, and one factor permanently present for SMEs is the one of 'uncertainty' (Ahmad et al., 2010). Nonetheless, despite those potential weaknesses, the size of Gefeba Elektro GmbH, as an SME, allows more flexibility and reactivity in general. Moreover, founded in 1969 by an entrepreneur, the entrepreneurship is embedded in Gefeba Elektro GmbH.

Corporate entrepreneurship and the SMEs

As a SME, Gefeba Elektro GmbH seems particularly adapted for the development of corporate entrepreneurship for several reasons. First, innovation is deeply ingrained in its operations. The business embraces changes, innovations and improvements in the marketplace for its survival. This is evidence that it is naturally driven towards the use of corporate entrepreneurship. The structure of Gefeba Elektro GmbH, an SME seems especially suitable to a highly competitive environment. Indeed, in today's international economic climate small and medium organization (SME) can adapt more easily to change. In comparison to larger companies, Gefeba Elektro GmbH has the capacity to adapt rapidly and constantly to the external environment. This is due to several factors. One of them is the informal and flexible structure that exists. This is different from what exists in larger companies because as a business grows, it evolves from a simple and informal structure to a more formal, complex and differentiated one.

The environment of Gefeba Elektro GmbH

The environment of Gefeba Elektro GmbH could be described with several attributes. First, Gefeba Elektro GmbH is situated in a mature industry, which has an impact on the competitiveness of the market, the weight of innovation and the importance of finding a sustainable competitive advantage. The mature industry is a step of the industry life cycle, just before the decline. This step of the industry life cycle is characterized by several difficulties to overcome for a firm, especially a small business due to its weaknesses. Mature industries are characterized by increased competition and price deflation due to overcapacity, in addition to a reduction in the number of firms. Moreover, the R&D investment is significant because innovation is definitely one of the keys to business growth and survival.

The second attribute is the fact that Gefeba's focus and specialization on automation technology makes the company evolve in a niche market. A niche market strategy could be

defined as an emphasis on a particular need, or geographic, demographic or product segment. In the case of Gefeba GmbH, the company is focusing on the niche of the automation industry. Moreover, Gefeba Elektro GmbH is differentiating with two main points: the relation with the clients, which is aimed to be long-term and allows flexibility, and the innovative products. Those two main points are characteristics that are adapted to niche activity. Furthermore, considering the niche market in a mature industry, the relationship and continuous innovation are some of the key success factors. The last attribute of the environment of Gefeba Elektro GmbH is the fact that it is situated in a highly competitive market, where there is constant disequilibrium and change. Another characteristic of this market is a large number of competitors, which are more than 450 000 individuals. The main competitors are ABB, a world leader based in Switzerland, then Siemens and Schneider Electric, both based in Germany.

The costs to leave or to enter the market are high because the market is based on expertise. Moreover, there is a price competition in this market. This market may thus be qualified as highly competitive. The environment of Gefeba is particularly difficult, though the same difficulties actually drive change for innovation, thus they are being turned into advantages. (Kuratko et al., 2004, p. 14).

Gefeba Elektro GmbH, innovation and high competitiveness

Gefeba Elektro GmbH is in a highly competitive market where one of the main competitive factors is the innovation. It is important to underline that in those cases, where the market is particularly rough and changing, innovation can be technological as well as managerial. Technological innovation pertains to modifications in products, services and production process technology. Managerial innovation involves new organizational structure as well as new strategies, which are indirectly related to the basic work activities of an organization. Moreover, innovation is not a simple linear process and implies to hire employees who are not "risk averse". Then, to lead in this innovation and to remain competitive, Gefeba Elektro GmbH has to permanently stay flexible. This flexibility is considered as one of the most remarkable features that distinguish SMEs from large firms and the source of many of their principal advantages, such as speed of response, ability to innovate, and capacity to adapt. This flexibility derives from the highly competitive market and the concentration on innovation and has also an impact on the organizational design. This is because it forces SMEs like Gefeba Elektro GmbH to modify their organizational structure. Both flexibility and innovation are a vector of change, and not a response to it. In the case of Gefeba Elektro GmbH, innovation is a response

to a changing and competitive environment. However, it implies also changes inside the organization. Moreover, the flexibility is also a way to survive in this complicated environment, and is also deeply linked with innovation as well as changes in the organization.

Corporate entrepreneurship, innovation and high competitiveness

Without innovation, corporate entrepreneurship would be analogous to a beautiful automobile without a driver – attractive, appealing and useless to move in the desired direction. Innovation is seen as being one of the three major dimensions of corporate entrepreneurship. It could also be described as one of the goals of corporate entrepreneurship as it reinforces the company's position in existing markets while allowing it to enter new and perhaps more lucrative growth fields. The term innovation could be defined as a new idea that may be a recombination of old ideas, a scheme that challenges the present order, a formula, or a unique approach which is perceived as new by the individuals involved.

The development of corporate entrepreneurship, and in particular organizational transformation, is highly related to the aim of obtaining innovation as a key for a sustainable competitive advantage. The reason for that is because Gefeba Elektro GmbH is located in an area and in a market niche where the competition is high and numerous. Besides, competitors are usually larger companies with access to a greater number of resources. Gefeba Elektro GmbH has exploited the close link between organizational transformation, innovation and a competitive advantage. The business takes entrepreneurial actions that are important paths to innovate. The firm's innovations are a common source of its competitive advantage. As is typical with German SMEs, Gefeba Elektro GmbH nurtures entrepreneurial activity throughout its operations to continue to compete successfully. However, there are difficulties that are faced in keeping entrepreneurial activity as a process on the long term, particularly for SME, because they must show a continuous commitment to learning.

The difficulties faced underline the role of the individual in the process, particularly the role in the organizational learning. The individual is the key to implement the organizational transformation but can also be one of the sources of the challenges. For that reason, the individual should be the main driver of organizational transformation which enhances the adoption of innovation as a pillar for competitive advantage. The role of corporate entrepreneurship at Gefeba Elektro GmbH is thus pivotal.

Required:

Carefully consider the following questions and answer them based on the case study above as well as your broad appreciation of issues in corporate entrepreneurship.

- a. What was Gefeba Elektro GmbH's main line of business? **(2 marks)**
- b. Discuss the main advantages that SMEs like Gefeba Elektro GmbH have which lead them to benefit more from a corporate entrepreneurial approach. **(10 marks)**
- c. Discuss in general the usefulness of the niche market strategy that Gefeba Elektro GmbH adopted on realising that the business environment was highly competitive. **(10 marks)**
- d. Evaluate, in the context of Gefeba Elektro GmbH and in corporate entrepreneurship in general, how corporate entrepreneurship can be an anchor for competitive advantage for an existing business. **(10 marks)**
- e. Explain how the manager of a SME seeking to adopt a corporate entrepreneurial approach can be the source of the challenges faced in that endeavour. **(8 marks)**

[Total: 40 marks]

SECTION B: *(Choose any 3 questions from this Section).*

QUESTION 2

- a) Define the term 'Corporate entrepreneurship'. **(5 marks)**
- b) Explain with illustrations, how the Zimbabwean business environment dictates that a corporate entrepreneurial approach be adopted by business managers. **(15 marks)**

[Total: 20 marks]

QUESTION 3

- a) Discuss the role that strategic management play in an organisation. (8 marks)
- b) Discuss, citing examples, the relationship between strategic management and corporate entrepreneurship. (12 marks)

[Total: 20 marks]

QUESTION 4

- a) Discuss the approaches that may be used to identify entrepreneurial opportunities. (10 marks)
- b) Choose one economic sector in Zimbabwe and describe any two opportunities that may be pursued by entrepreneurial organisations. (10 marks)

[Total: 20 marks]

QUESTION 5

Discuss the ways that may be used to evaluate entrepreneurial opportunities. [20 marks]

QUESTION 6

Discuss how culture and structure may affect the creation of entrepreneurial organisations.

[20 marks]

END OF EXAMINATION PAPER.