Assignment Mid-Term (Spring-2020)

Program: MBA-90

Course: Entrepreneurship

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Q1. Explain the four dimensions of entrepreneurship along with the recent examples which makes the concept clear for the readers.

Answer: Entrepreneurship is very broad concept. The description of entrepreneurship can be define by examining **4** critical dimension of business practice, which are;

#1.Strategic Orientation:

This is a first dimension of Entrepreneurship. "A focus on those factors that are inputs into the formulation of the firm's strategy".
In traditional definition of the entrepreneur as ability to grab the opportunity or more creative or innovative and more favorably. In strategic orientation, it describes a promoter is truly driven a opportunity and the factors that derive a company's formulation strategy.
In this strategic orientation, a promoter is to say: "I am going to be driven only by my perception of the opportunities that exist in my environment and I will not be constrained by the resources at hand." A trustee, on the other hand, tends to say: "How do I utilize the resources that I control?" these approach recognizes the need to examine the environment for opportunities but is still constrained by a trustee-like focus on resources. An entrepreneurial orientation places the emphasis on opportunity. It is this dimension that has led to one of the traditional definitions of the entrepreneur as opportunistic or, more favorably, creative and innovative. But the entrepreneur is not necessarily concerned with breaking new ground. Opportunity can also be found in a new mix of old ideas or in the creative application of traditional approaches.

#2.Commitment to opportunity: "A commitment to taking action on potential opportunities" As we move on to the second dimension it becomes clear that the definition of the entrepreneur as creative or innovative is not sufficient. There are innovative thinkers who never get anything done. It is necessary to move beyond the identification of opportunity to its pursuit. The promoter is willing to act in a very short time frame and to chase an opportunity quickly. The duration of their commitment, not their ability to act, is all that is in doubt. Commitment for the trustee is time consuming and, once made, of long duration. Trustees move so slowly that it sometimes appears they are stationary; once there, they seem frozen. It is the willingness to get in and out quickly that has led to the entrepreneur's reputation as a gambler. However, the simple act of taking a risk does not lead to success. More critical is knowledge of the territory they operate in. Their familiarity with their chosen field means they have the ability to recognize patterns as they develop and the confidence to assume that missing elements will take shape as they foresee. This early recognition enables them to get a jump on others in commitment to action. Pressures that pull a business towards this entrepreneurial end of the spectrum include:

Action orientation. Enables an organization to make first claim to customers, employees and financial resources.

Short decision windows. Due to the high costs of late entry, including lack of competitive costs and technology.

Risk management. Involves managing the organization's revenues in such a way that they can be rapidly committed to or withdrawn from new projects.

Limited decision constituencies. Requires a smaller number of responsibilities and permits greater flexibility. In contrast, administrative behavior is a function of other issues:

Multiple decision constituencies. A greater number of responsibilities, necessitating a more complex, lengthier decision process.

Negotiation of strategy. Compromise in order to reach consensus and resultant evolutionary rather than revolutionary commitment.

Risk reduction. Study and analysis to reduce risk slows the decision-making process.

Management of fit. To assure the continuity and participation of existing players, only those projects that "fit" existing corporate resources are acceptable.

#3.Commitment of resources. “A focus on how to minimize the resources that would be required in the pursuit of a particular opportunity”

Another characteristic we observe in good entrepreneurs is a multi-staged commitment of resources with a minimum commitment at each stage or decision point. The issue for the entrepreneur is this: what resources are necessary to pursue a given opportunity? There is a constant tension between the amount of resources committed and the potential return. The entrepreneur attempts to maximize value creation by minimizing the resource set and must, of course, accept more risk in the process. On the other hand, the trustee side deals with this challenge by careful analysis and large scale commitment of resources after the decision to act. Entrepreneurial management requires that you learn to do a little more with a little less. On this dimension we have the traditional stereotype of the entrepreneur as tentative, uncommitted or temporarily dedicated - an image of unreliability. In times of rapid change, however, this stepped, multi-staged commitment of resources is a definite advantage in responding to changes in competition, the market and technology. The process of committing resources is pushed towards the entrepreneurial domain by several factors: Lack of predictable resource needs. Forces the entrepreneur to commit less up front so that more will be available later on if required. Lack of long-term control. Requires that commitment matches exposure. If control over resources can be removed by environmental, political or technological forces, resource exposure should also be reduced. Social needs. Multi-staged commitment of resources brings us closer to "small is beautiful" by allowing appropriate levels of resource intensity. International demands. Pressures that we use no more than our fair share of the world's resources. The pressures within large corporations, however, are in the other direction, toward resource intensity: Personal risk reduction. Any individual's risk is reduced by having excess resources available. Incentive compensation. Excess resources increase short-term returns and minimize the period of cash and profit drains - typically the objects of an incentive compensation system. Managerial turnover. Creates pressures for steady cash and profits gains, which encourage short-term, visible success. Capital allocation systems. Generally designed for one-time decision making, these techniques assume that a single decision point is appropriate. Formal planning systems. Once a project has begun, a request for additional resources returns managers to the morass of analysis and bureaucratic delays.

Managers are inclined to avoid this by committing the maximum amount of resources up front.

#4.Control of resources. "A focus on how to access others' resources" Entrepreneurs learn to use other people's resources well and to decide over time what resources they need to bring in-house. Good managers also learn that there are certain resources you should never own or employ. Very few real estate companies employ an architect. They may need the best but they do not want to employ him or her because the need for that resource, though critical to the success of the business, is temporary. The stereotype of the entrepreneur as exploitative derives from this dimension. The entrepreneur is adept at using the skills, talents and ideas of others. Viewed positively, this ability has become increasingly valuable in the changed business environment. It need not be parasitic in the context of a mutually satisfying relationship. Pressures towards this entrepreneurial side come from:

Increased resource specialization. An organization may need a specialized resource such as a high-tech patent attorney or state of the art circuit test equipment, but only for a short time. By using rather than owning, a company reduces its risk and fixed costs.

Risk of obsolescence. Reduced by using rather than owning an expensive resource.

Increased flexibility. The cost of exercising the option to quit is reduced.

Administrative practices are the product of pressures in the other direction:

Power, status and financial rewards. Determined by the extent of resource ownership and control in many corporations. Co-ordination. The speed of execution is increased because an executive has the right to request certain action without negotiation.

Efficiency. Enables an organization to capture, at least in the short run, all the profits associated with an operation.

Cost of change. It is commonly believed that it is good management to isolate the technical core of production from external shocks. This requires buffer inventories and control of raw materials and distribution channels. Ownership also creates familiarity and an identifiable chain of command, which becomes stabilized with time.

Industry structures. Encourage ownership to prevent being pre-empted by the competition.

Example:

Google (THE ENABLER): The Company Provides funding and senior executive attention to Prospective Projects.

Cargill (THE PRODUCER): The Company establishes and supports a full-service group with a mandate for corporate entrepreneurship.

Zimmer (**THE OPPORTUNIST):** The Company has no deliberate approach to corporate entrepreneurship. Internal and external network derive concept selection and resource allocation.

DuPont (THE ADVOCATE): The Company strongly evangelize for corporate entrepreneurship, but business units provide the primary funding.

Q2: Mention the five entrepreneurs crafting and evaluating strategies which enables the entrepreneur to draft his business resources and asses the opportunity.

Answer: "Without a strategy the organization is like a ship without a rudder, going around in circles." (Joel Ross and Michael Kami).

Five entrepreneurs crafting and evaluating strategies which are;

- **Developing a Strategic Vision and Mission**
- **Setting Objectives**
- **Crafting a Strategy**
- **Implementing the Strategy**
- **Evaluating Performance and Initiating Corrective Adjustments**

#1. Developing a Strategic Vision and Mission: A strategic vision is a road map showing the route a company intends to take in developing and strengthening its business. It paints a picture of a company's destination and provides a rationale for going there.

Thinking Strategically about future direction of company and changes in company product, market, customer, technology to improve current market position and future prospects.

The Three Big Strategic Questions

1. Where are we now -- what is our situation?

2. Where do we want to go?

3. How will we get there?

- Business want to be in and market positions we want to stake out
- Buyer needs and groups we want to serve
- Outcomes we want to achieve

What Is Strategy?

- Competitive moves and business approaches management employs in running a company

- Management's "game plan" to
  - Please customers
  - Position a company in its chosen market
  - Compete successfully
  - Achieve good business performance

Missions vs. Strategic Visions

- **A mission statement focuses on current business activities**
    - Businesses company is in now
    - Customer needs currently being served

- **A strategic vision concerns a firm's future business path**
    - The kind of company it is trying to become
    - Customer needs to be satisfied in the future

Examples: Mission and Vision Statements:

(McDonald's Corporation)

McDonald's vision is to dominate the global foodservice industry. Global dominance means setting the performance standard for customer satisfaction while increasing market share and profitability through our Convenience, Value, and Execution Strategies.

#2.Setting Objectives: Purpose of setting objectives

Converts vision into specific performance targets, Creates yardsticks to track performance Pushes firm to be inventive, intentional, and focused in its actions.

Setting challenging, achievable objectives guards against

Complacency, Internal confusion, Status and performance.

Types of Objectives Required:

Financial Objectives; Outcomes focused on improving a firm's financial performance.
Strategic Objectives; Outcomes focused on improving a firm's competitiveness and its long-term business position.

Examples: Financial Objectives

- Grow earnings per share
- Boost annual return on investment
- Increase annual dividends per share to stockholders
- Strive for stock price appreciation
- Maintain a positive cash flow
- Achieve and maintain a bond rating

Examples: Strategic Objectives

- Increase firm's market share
- Overtake key rivals on quality or customer service or product performance
- Attain lower overall costs than rivals
- Boost firm's reputation with customers
- Attain stronger foothold in international markets

- Achieve technological superiority
- Become leader in new product introductions
- Capture attractive growth opportunities

#3.Crafting a Strategy; Strategy involves determining whether to;

Concentrate on a single business or several businesses (diversification)

Cater to a broad range of customers or focus on a particular niche

Develop a wide or narrow product line

Pursue a competitive advantage based on

Low cost or Product superiority or unique organizational capabilities.

Crafting a Strategy: Our strategy will be….,

- **Involves deciding how to**
    - Respond to changing buyer preferences
    - Outcompete rivals
    - Respond to new market conditions
    - Grow the business over the long-term
    - Achieve performance targets

The How's That Define a Firm's Strategy;

How to grow the business

How to please customers

How to outcompete rivals

How to respond to changing market conditions

How to manage each functional piece of the business and develop needed organizational capabilities

How to achieve strategic and financial objectives

Strategy Example: of the McDonald's

Strategic priorities

Continued growth

Providing exceptional customer care

Remaining an efficient and quality producer

Offering high value and good-tasting products

Effectively marketing McDonald's brand on a global scale

#4.Implementing Strategy

Creating fits between way things are done and what it takes for effective strategy execution

Getting the organization to execute strategy proficiently and efficiently

Producing excellent results in a timely manner. Strategy implementation is an internal, operations-driven activity involving organizing, budgeting, motivating, culture-building, supervising, and leading to "make the strategy work" as intended!

What Does Strategy Implementation Include?

Building a capable organization

Allocating resources to strategy-critical activities

Establishing strategy-supportive policies

Motivating people to pursue objectives

Tying rewards to achievement of results

Creating a strategy-supportive corporate culture

Installing needed information, communication, and operating systems

Instituting best practices for continuous improvement

Exerting strategic leadership.

#5.Evaluating Performance and Making Corrective Adjustments Performance: Tasks of crafting and implementing the strategy are not a one-time exercise.

- Customer needs and competitive conditions change
- New opportunities appear; technology advances; any number of other outside developments occur
- One or more aspects of executing the strategy may not be going well
- New managers with different ideas take over
- Organizational learning occurs

All these trigger the need for corrective actions and adjustments on an as-needed basis

Taking actions to adjust to the march of events tends to result in one or more of the following

- Altering long-term direction and/or redefining the mission/vision
- Raising, lowering, or changing performance objectives
- Modifying the strategy
- Improving strategy execution

The End………