

Compare and contrast corporate entrepreneurship and strategic leadership



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Entrepreneurship is about creating Organizations, change, innovation, and wealth. Entrepreneurship in most common terms includes starting or creating a new venture; innovating or putting together new combinations of resources: risk-taking; profit-seeking; and creating value.

Entrepreneurship is “ the process of creating value by bringing together a unique combination of resources to exploit an opportunity” (Stevenson & Jarillo - Mossi, 1986). This definition has four key elements

Entrepreneurship involves a process.

Entrepreneurs create value.

Entrepreneurs put resources together in a unique way.

Entrepreneurship involves opportunity.

Corporate Entrepreneurship means for promoting and sustaining corporate competitiveness. It is used to improve competitive positioning and transform corporations, their markets and industries as opportunities for value - creating innovation are developed and exploited.

Corporate entrepreneurship is a term used to describe entrepreneurial behaviour inside established mid - sized and large organizations. Other popular related terms include “ Organizational “ Intrapreneurship” and “ Corporate Venturing”. Corporate entrepreneurship involves the generation, development and implementation of new ideas and behaviours by a company (Damanpour, 1991). Ling et al (2008) Corporate Entrepreneurship is the sum of company’s innovation, renewal, and venturing efforts.

Innovation (which is concerned with introducing something new to the market place)

Strategic Renewal (concerned with organizational renewal involving major strategic structural changes, and

Corporate venturing (Entrepreneurial efforts that lead to creation of new business organizations within the corporation.) are all important and legitimate parts of the concept of corporate entrepreneurship.

Corporate entrepreneurship regarded as a process through which both formal and informal initiatives are encouraged, aimed at the creation of new products, services, processes and businesses to improve and sustain a company's competitive position and financial performance.

Strategic leadership basically means using strategy in the management of workers. The main strategy usually employed in a strategic style of leadership is to motivate workers to take the initiative to improve their productive input into the company. Strategy involves thinking and planning. Leadership inspires others to take the appropriate action. Strategic leadership is a management model that trains and encourages employees to best prepare the company for the future.

Awareness is a big part of a strategic leadership style, but it must be followed up with well thought out action. Strategic leaders are adaptable and growth-oriented. They take responsibility for getting things done by training employees to think and act more effectively to achieve the best result possible for the company.

Productivity is a main goal of strategic leadership. Strategic style of leadership always keeps the best interests of the business in mind. It's also appreciative of employees' unique talents and efforts. Strategy, or careful planning, before making any change in the company is absolutely crucial in a strategic style of leadership. The philosophy behind the practice of strategic leadership is to use strategy in every act of decision making. Strategic leadership as a " person's ability to anticipate, envision, maintain flexibility, think strategically , and work with others to initiate changes that will create a viable future for the organization. Corporate entrepreneurship describes viable of the organization as one of the creating value, change, innovation, strategic renewal, corporate venturing and to create corporate competitive advantages.

1 (b) Evaluate continental's agenda for strategic change at the beginning of the 1990's when the world tire industry was in the midst of a serious recession marked by considerable overcapacities and a decline in vehicle registration.

At the beginning of the 1990's the Germany (Hanover) based company continental AG was first and foremost active in the rubber industry. Total sales amounting to Euro is 4, 372. 1 million in 1990. In 1991 continental's series decline started: while the company was market leader in Germany in the core-product area, tires, it ranked no. 2 in the European tire market. But in the world market the company controlled only 7% and occupied fourth place, with a great gap behind the ' Big Three' - Michelin (20%), Good year (16. 4%) and Bridgestone (16. 2%). Finally in 1991 continental suffered from a record loss of Euro 65. 5 million.

During the years 1991 - 2000 continental had undergone some radical changes that reversed the record loss of 65.5 million in 1991 to a record profit of Euro 204.7 million in 2000, continental had undergone some radical changes that reversed the record loss of Euro 65.5 million in 1991 to a record profit of Euro 204.7 million in 2000. Its development from a manufacturer of rubber products to a specialist for automotive chassis was the result of a fundamental transformation. It implied company - wide liberating of entrepreneurial energy of continental's managers and employees.

Setting the agenda for Strategic Change

At the beginning of the 90's the world tire industry was in the midst of a serious recession marked by considerable overcapacities and a decline in vehicle registrations. Despite this, continental and other tire industry producers pursued growth strategies in their traditional markets to achieve economies of scale. The result was fierce price war. As a consequence continental slipped into the red in just two years. Its earnings plummeted from a profit of Euro 116.6 million in 1989 to a mere Euro 47.8 million in 1990, followed by losses of 65.5 million in 1991. At the same time, sales grew by about Euro 42.2 million. Acquisitions in this time period led to a ballooning of net indebtedness to Euro 1.2 billion.

Competitive influences, internal factors, corporate divisions were particularly responsible for poor profits. The 'Tire Production' division did, in fact, report a profit, a segment of the division, the original equipment business with automotive industry, reported loss of Euro 51 million on sales of Euro 256

million. One of the causes of this was the company's bureaucratic and centralistic structure and culture. This structure was correspondingly reflected in the centralized control philosophy.

The major internal reasons for continental's crisis were a lack of awareness of the sources of the company's losses, poor management, suppression of decentral innovative potential and the absence of entrepreneurial initiative on the part of managers and employees.

On Dec 2nd, 1991 Dr. Von Grunberg re-in forced his emphasis on profit and innovation.

Growth through successful in – house developments and profitable production structures.

Investment in sales revenues, not in size.

Strategic alliances.

Fewer acquisitions, with new focal points.

Technological leadership and a wide range of systems.

Expansion of market position in Eastern Europe.

Pro-active environmental protection.

Rescue Operation for General Tire.

Decentral responsibility: Fight losses and improve earnings.

Continental's manager's focus in next year's on two basic perspectives. First, the company and its managers had to follow a clear profit orientation by higher sales. Dr. Von Grunberg stressed the absolute importance of innovations for the corporation if it was to be able to claim technology leadership in the tire sector. Profitability became the corporate guideline for all direct and in-direct areas. For the tire areas restructuring the previous functional orientation took off on February 1, 1992. The two separate product - driven Board level divisions - ' Passenger Tires' and commercial vehicles Tires/Environment/Research. Both divisions are responsible for the whole production and marketing process. Central co-ordination of decentral activities means guarding against in-efficient decentralization and to prevent the decentral units from drifting apart, certain function- controlling, finance, technology or purchasing - were retained as central units.

2 (a) Porter's Value Chain; discuss how Continental AG Fostered Strategic innovation to achieve growth in productivity.

Value chain is also known as Value chain analysis, is a concept from business management that was first described and popularized by Michael porter in his 1985 best - seller, competitive advantage: creating and sustaining superior performance. Value chain is a model that helps to analyze specific activities through which firms can create value and competitive advantage.

Value created and captured - cost of creating that value = Margin.

The way in which value chain activities are performed determines cost and affects profits, so this tool can helps for understanding the sources of value

for organization. The value chain is process of converting inputs to outputs. A value chain is a set of activities that an organization carries out to create value for its customers. These activities classified generally as primary and support activities that all business must undertake in some form.

Source: Mind Tools. (2008)

Primary Activities:

Inbound Logistics: Includes receiving, warehousing, inventory control of input materials.

Operations: Includes machining, Packing, assembles, equipment maintenance, testing are the value - creating activities that transform the inputs into the final product.

Outbound Logistics: The activities required to get the finished product to the customer, warehousing, order fulfilment etc.

Marketing and Sales: The activities associated with getting buyers to purchase the product including the channel selection, advertising, pricing etc

Service: The activities that maintain and enhance the products value, including customer support, repair services etc.

Support Activities:

Procurement: Procurement of raw materials, servicing, spare parts, building, machines etc.

Technology Development: Includes Research & Development, process automation, design, and redesign.

Human Resource Management: The activities associated with recruiting, development (education), retention and compensation of employees & Managers.

Firm Infrastructure: Includes general Management, Planning Management, legal, finance, accounting, public affairs, quality management etc.

With these specific activities firms can create value and develop competitive advantage.

Fostering Strategic Innovation

In 1991, Dr. Von Grimberg implemented a reorientation of the corporation's business. Now he continued to count on further product and process innovation. He say company to strive for the leading position in technology in the sector on the basis of the innovative capability of the individual employees in all areas of the company. The importance was demonstrated by substantial investments in R & D. Approximately 4 % of sales revenue was plowed back into R & D. This initial investment actively resulted.

To increase the corporation's innovative power and to use available resources R & D centre inaugurated in Hanover, in the immediate vicinity of continental AG corporate head quarters, in April 1996. R & D, representing an investment of Euro 51 million, the technology centre thus created employed 1000 engineers and technicians engaged in producing market - oriented innovation for car/ truck tires and automotive systems. Research

Development - Engineering meetings brought together the Board member for the tire division and those in charge of R & D areas for a presentation of new projects and a review of the progress made so far. The RDE - meetings thus determined in large measure continental's specific technological orientation, which was clearly market - and customer - driven. RDE - meeting offered a platform for display of new business ideas and systems solutions, e. g. by linking existing products with other technologies and with the market areas.

A major move towards acquiring the status of systems supplier to the automotive industry was the founding of a separate Board area ' Automotive Systems' in 1994 to be headed by Albert Beller, a former manager at ITT Industries with formative experience in the chassis business. Teve's major products were the antilock braking system (ABS) and electronic stability program (ESP). The additional sales that Teves contributed to the company heaved it into the no. 9 slot among automotive suppliers. At the same time it gave the company as a whole development capacity and technological innovation force of around 2500 researchers and developers. Continental positioned as a global systems and technology partner in the automotive industry. In 1999 this division contributed Euro 2. 6 billion in sales.

2 (b) Compare and contrast the “ Corporate governance and corporate social responsibility” practices of continental A. G with those of Good year Tyre & Rubber Company.

The purpose of Corporate Governance Principles of Continental A. G is to further a responsible management of the company and the continental corporation focused on value creation. The principles are intended to make the governance by the Executive Board and Supervisory Board transparent

and understandable and to promote the confidence of investors, customers, employees and general public in the management and control of the Company as a publicly listed German stock corporation. The Supervisory Board and Executive Board and all employees of the corporation understand the principles as their obligation.

Share holders and General meeting: According to Articles of Association shareholders has right to vote before and in the general meeting. The Executive Board submits to the general meeting the Annual Financial Statements. The general meeting resolves on the appropriation of net income and ratification of the actions of Executive Board and of the Supervisory Board. At least once a year the Executive Board convenes the General meeting and proposes the agenda.

Cooperation between Executive Board and Supervisory Board: The Executive Board and Supervisory Board work together closely for the benefit of the corporation. The Executive Board discuss with the Supervisory Board the Corporation's Strategic direction and, in regular intervals. Good corporate Governance requires an open discussion between Executive Board and Supervisory Board.

Executive Board Responsibilities: The Executive Board develops the strategic direction of the corporation, discusses it with the Supervisory Board and ensures its implementation. Executive Board responsible for internal policies and procures such compliance by the affiliated companies. Executive Board ensures an appropriate risk management and risk controlling in the corporation.

Supervisory Board Responsibilities: The Supervisory Board is responsible for advising and supervising the Executive Board. It must be involved in decisions of fundamental importance to the corporation. The Supervisory Board appoints and dismisses the members of the Executive Board. Together with the Executive Board, the Supervisory Board ensures a long-term succession planning.

Accounting and Audit of Financial Statements: The consolidated Financial Statements are prepared by the Executive Board and examined by the auditor and the Supervisory Board. The Audit committee discusses half-year and quarterly financial reports with the Executive Board prior to publication. The auditor consolidates financial statements and reports on the essential results of its audit.

CORPORATE GOVERNANCE GUIDELINES FOR THE BOARD OF DIRECTORS OF THE GOOD YEAR TIRE & RUBBER COMPANY.

Size and composition of the Board: The Company's code of regulations provides for 9 minimum and 15 maximum Board members and that the chairman of the Board shall be a Board member.

Term Limits; Directors' Retirement Age: Outside Director are expected to retire on the date of the first Annual meeting of shareholders after the Director attains age 72. Inside Director shall retire at the time of retirement as employees of the company, expect the chief Executive officer may remain as a Director if approved by the Board of Directors.

Responsibilities of Board of Directors: The Board of Director, which is elected by the shareholder, is the ultimate decision making body of the company.

The primary function of the Board of Director is therefore oversight - defining and enforcing standards of accountability that enable executive management to execute their responsibilities fully and in the interest of shareholders.

Board Meeting Agenda: A draft agenda is submitted in advance to each Board member together with financial and other relevant information.

Chairman of the Board may, but need not, be the chief Executive of the company.

Board Committees: There are five committees: Audit, Compensation, Corporate Responsibility and Compliance, Finance and Governance. Each committee shall determine its schedule for meetings.

Strategic Planning presentations to the Board: Management should report to the Board annually on the company's strategic plan. Such report may be made independently of a formal Board meeting. Management will advise the Board of any material changes to the company's strategic plans as they occur.

Annual performance Evaluation of the Board: The Board shall evaluate annually the performance of the Board of Directors as a whole. It may circulate surveys', questionnaires and evaluation forms to Directors and use such other methods to appropriate in order to assess the Board's effectiveness.

Corporate Social Responsibility of Continental A. G.

Environmental Protection at Continental: Continental is facing up to the variety of ecological challenges and regard environmental protection as a key management responsibility. Continental is continually aligning the production, quality and performance of our products with environmental soundness. Continental makes a substantial contribution to environmental protection without technologies and products.

Protecting Global Climate: Climate protection is an essential part of environmental protection and also part of our corporate strategy. Continental products and technologies bear witness to this, day in, day out. Continental invests in research and technologies for the reduction of CO 2 emissions. Continental also works on products and systems that reduce the emissions of other pollutant gasses, for instance from air conditioning systems. By making ever greater use of renewable raw-materials such as natural rubber and plant-based oils, continental contribute to conservation of natural resources.

Product Responsibility: Product responsibility extends over a product's entire life cycle. This begins with the raw materials used and covers the development, production, use and recycling of the product, where by manufacturers and customers each bear responsibility for the product. Continental takes on the development and production according to best possible standards to minimize the impact on health and environment.

Involvement of Suppliers: Continental AG, which purchases its raw-materials on international markets, regards environmental protection as an integral

part of optimizing its supplier. Continental regularly requests valid environment certificates (ISO) from the large majority of suppliers.

Good Year Corporate Social Responsibility

Good year commitment to our communities is a vital part of our corporate initiative. It is the company's goal to promote healthy, high functioning communities in locations where company's major plants and office reside. As a corporate citizen, Good Year participates in organisations that seek to provide opportunities for civic, economic, and educational growth an social and physical health, participation takes various forms and includes philanthropic initiatives, such as gifts, grants, sponsorships, in-kind donations and volunteerism.

Individually, Good Year associates fill key roles in civic, educational, governmental and community organisation, volunteer efforts are growing to meet the increasing need for community support in the locations where Good year work around the world.

3 (a)& (b) Discuss the effectiveness of the “ Functional”, “ Organisational”, and “ Corporate” structures adapted by continental AG in unleashing manager's entrepreneurial energy from 1992 to 2001.

Continental stands for innovative technology and networked systems worldwide. The Corporation is divided into two groups, each of which consists of three division:

AUTOMOTIVE GROUP

RUBBER GROUP

Chasis & Safety

Passenger and Light Truck Tires

Powertrain

Commercial Vehicle Tires

Interior

ContiTech

Chassis & Safety division employing approximately 28, 000 people is the bulk of the business contained in former Automotive Systems division. This new division combines the active and passive safety activities and driver assistance systems of both companies.

Powertrain division, which has around 32, 000 employees, stands for innovative and efficient powertrain system solutions. The former business areas of Continental and Siemens VDO were united to form this division.

Interior division with approximately 33, 000 employees is positioned as the market and technological leader in information management between the vehicle, driver and passengers, between vehicles themselves, and between the vehicle and its environment, as well as in the wireless integration of mobile devices into the vehicle. This division was formed from the complementary operating units at Continental and Siemens VDO.

Passenger and Light Truck Tires division Employing around 26, 000 people, and develops and manufactures tires for compact, medium-size, and full-size passenger cars and light trucks in addition to extended mobility systems.

Motorcycle and bicycle tires are also included in this division.

Commercial Vehicle Tires division has a workforce of approximately 8, 000 and markets truck, bus, industrial and off-the-road tires suitable for a wide spectrum of applications and conditions.

ContiTech division, which employs around 24, 000 people, is the world's largest manufacturer in the field of rubber and plastics technology outside of the tire industry. The division develops and produces functional parts, components, and systems for the automotive industry and for many other key sectors.

Cross-divisional centralized functions have been established for the three automotive divisions - Chassis & Safety, Powertrain, and Interior. These include the areas of technology and innovation projects, global customer support, purchasing, and quality.