

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
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TITLE OF PAPER: Small Business Management

DEGREE AND YEAR: Bachelor of Commerce 3

COURSE NUMBER: IDE/BA 415

TIME ALLOWED: Three (3) hours

INSTRUCTIONS

1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. THE CASE STUDY SECTION (A) IS COMPULSORY
3. ANSWER ANY THREE QUESTIONS FROM SECTION B

NOTE: You are reminded that in assessing your work, account will be given of the accuracy of language and the general quality of expression, together with the layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

GOOD LUCK!!!

SECTION A (Compulsory)

David Dlamini was sitting back in his chair in his home office and was trying to understand why the new venture had not made him the rich man he thought he would be. A. Dlamini and Security Systems ADLSS had been established about 2 years ago and offered lock smithing services to residential and commercial customers as well as automobile owners in the greater Mastapha area. These services included lock re-keying, lock and deadbolt installation and repair, master key systems, emergency residential lockouts, foreign and domestic automobile lockouts, and window security locks. In addition, ADLSS was certified by the Commonwealth of Manzini to perform alarm installation and offered a full range of alarm products. Financial results have been relatively poor, with losses of E4000 in the 1st year and a profit of only about 2500 in year 2. Currently ADLSS's target market was three local communities in the Mastapa area.

David Dlamini was an only child with parents who were both successful entrepreneurs. Both his parents were now deceased and he had received a rather nice inheritance that would satisfy any of his financial needs for the rest of his life. David had been educated at a local private high school and then at a small liberal arts college in Voctim. He was not a great student but seemed to always get by. His summers were usually spent at the college, taking summer courses.

Upon graduation his father had helped him get a job with a friend who owned a security and alarm manufacturing business learning a great deal about alarms and locks. After 2.5 years, David decided that he'd prefer to be his own boss and using some of the inheritance from his parents' estate entered a special program to learn more about locksmith business. His intent upon completion of the program was to start his own lock and security business. He felt from his experience and education that this market offered tremendous opportunities. Increased crime and residential house sales that often required new locks offered many opportunities to succeed in this business. David did not want to offer alarm installation as part of his new venture since he felt that they were a lot of bother to install. He also knew that there were many large competitors already in the alarm market that would be able to offer products and service at much lower prices. The lock smith industry was dominated by small operators, 60 % of them consisting of an owner and one employee. Only about 20% of these firms had five or more employees.

Because of the low entry barriers, the number of small operators had grown dramatically in the past few years. Often these businesses were operated out of the home, with no storefront and concentrated mainly on the residential market. There were also a large number of family owned businesses that usually had a retail store and had been serving their communities for several generations of family members. The larger operations were the most sophisticated in terms of service and products and relied primarily on commercial accounts.

The Mastapa area was densely polluted with 160 locksmiths all advertising in the local yellow pages. In the three communities on which ADLSS concentrated there were 37 other locksmiths. Excluding alarms David offered just about every locksmith service. His van was used to store these products and any necessary tools for servicing his clients. This company van was 10 years old with a few minor dents, but it ran quite well.

David had a beeper system and a cellular phone to respond to customer requests. After 5.00pm however David turned off the system and refused to take calls. During his operating hours he was able to respond to all requests fairly quickly even if he was not in the office, primarily because of the beeper and phone. He had tried using an answering machine but it did not allow him to respond to a customer fast enough especially if he was at a job and requests were emergencies that required quick response.

During the past year David had decided to advertise in the yellow pages. He felt that with all the locksmith listed in the yellow pages he needed to be at the top of the list, so he decided to use his

middle name initial (for Arthur) to form A. Dlamini Locksmith and Security System. The yellow pages and seemed to help business and contributed to the E2500 profit.

David spent a lot of his time in the office thinking of ways to increase his business yet to this point nothing had been very successful. His understanding was that many of his competitors had found that the yellow pages were the most likely place for customers to find a locksmith. His ad identified the three communities the services he offered and a telephone number. In addition, he included that he was bonded and insured and a member of the Manzini Locksmith Association. Competitors typically stressed products and services, 24 hour emergency service follow up guarantee service, being bonded and insured and a member of the locksmith association.

Time was running out on David and he was trying to think of other business but then he would quickly decide that since he didn't really need the money it wasn't a big deal. However at some point he felt he should try to establish himself so he could settle down to a more routine life.

- A Develop a Marketing strategy for ADLSS include some projections for sales revenues for the next twelve months. 20 marks

- b How would you describe David Dlamini's overall attitude toward his business? 10 marks

- C How would you describe the industry and the competitive environment? (10 marks)

SECTION B

Choose any three

Question 1

It is believed that groups are less likely to go off the deep end than individual when making decisions. Do you think this belief is valid? If not, what processes, working together, could push groups toward extreme (and poor) decisions? 20 marks

Question 2

The most straightforward way to obtain information on how potential customers will react to a new product is simply to ask them. Why is this method sometimes misleading? 20 marks

Question 3

Identify important marketing control variables for a new venture that markets baby toys. Discuss how this venture might control each of these variables. 20 marks

Question 4

What are the advantages of selling a company to insiders (e.g. its current executives)? What are the advantages of selling a company to outsiders? On balance, do you think one of these strategies is superior to the other? 20 marks

Question 5

Identify the critical entrepreneurial and strategic skills that are needed to effectively manage the growth of the new venture. 20 marks