

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION
ACADEMIC YEAR 2009/2010

TITLE OF PAPER: Small Business Management

DEGREE : Bachelor of Commerce

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

The Swaziland Royal Bank (SRB) has just been named the fastest growing new bank in the country. After opening the doors in January 2008 with capital of E11 million in assets, the bank has grown to over E127 million in assets. The major growth area over the two years has been a strong organizational culture and an ability to maintain high asset quality. The future concern for the bank is managing the rapid growth, building capacity and finding sources of income to meet increasing demand from customers.

In general, the country's banking industry performance has been declining as reflected in poor asset quality. This is due to increased spending by households which is faster than income, resulting in rapidly rising debt, and in turn raising provisions for loan losses. Slow economic growth due to the recession has created a more challenging environment for banks, including falling consumer deposits. Non interest income has become stagnant due to intense competition and a general public outcry that has resulted in a commission of enquiry instituted by Government to look into the fee structure of banks. This poor performance has caused bank management teams to focus on nurturing high performance units and introducing cost cutting measures.

The SRB operates in a very competitive environment where most of the business strategies of banking institutions are driven by competition and the desire to expand. Innovation and cost cutting initiatives are valued. The SRB believes that its success is due to their ability to understand their customers' financial needs and their willingness to tailor their products to each customer's unique ability to repay. They have built a competitive advantage centered on customer service. They always strive to know the customer, big or small, and to build long lasting relationships that meet their needs. Customer surveys reveal that it has the best reputation in the country for customer service. The bank services a niche market providing mortgage and consumer loans to SMEs and professionals such as doctors, engineering companies etc. It employs a balanced mixture of veteran bankers and industry newcomers. The average banking experience of the 12 senior managers is 22 years and of the total staff of 33 persons is 15 years.

The bank plans to add three new branches in the Mbabane- Manzini corridor within the next year, but the managing director and his management team know that if they remain fixed in the urban corridor area it will be very hard to grow. They aim to grow to \$170 million in total assets by the year end 2010 and to E250 million by the bank's 5th year anniversary in 2012. The growth strategies centre around new products, potential acquisitions, and market expansion. At the same time SRB wishes to maintain its unique culture and unwavering dedication to customer satisfaction.

- (a) Formulate SMART objectives for the SRB that will build into their strategy of growing the bank to the desired level by 2012. (20 marks)
- (b) What potential problems do you see in the SRB's rapid growth? (10 marks)
- (c) What do you think has contributed to its success? (10 marks)

SECTION B

Question 1

There are numerous methods or formats that one can use to write and present a business plan, and emphasis on the various components vary, depending on the purpose of the plan. However, there are certain core components that must be included in order to ensure that the information provided is comprehensive and the plan is useful enabling the user to make informed decisions about the business potential. Discuss these core components. (20 marks)

Question 2

In Swaziland, it has been realized that there is an absence of middle sized businesses because very few small enterprises grow, most remain stagnant. Joint ventures are one of the methods by which one can pursue business growth. Using examples, discuss and explain the advantages and drawbacks of using joint ventures as a vehicle for business growth. (20 marks)

Question 3

When starting a business, it is important to decide on the legal form of that business. Whether one decides to constitute the business as a sole proprietorship, a partnership or a company, will affect its operations with regard to several factors. List and explain these factors with regard to how they differ between sole proprietorships and companies. (20 marks)

Question 4

Negotiation skills are indispensable survival skills for any entrepreneur. What are the primary tasks for an entrepreneur negotiating with another party? What kind of on the spot assessments and strategies does an entrepreneur need to make whilst negotiating? Give reasons for your answers. (20 marks)