

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
ACADEMIC YEAR 2010/11

TITLE OF PAPER: Small Business Management

DEGREE : Bachelor of Commerce

COURSE NUMBER: FT/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

When Mr. James Dlamini, a cook at the Royal Kraal Hotel Group reached middle age, he became aware of minor health problems that soon snowballed into cases of high blood pressure and diabetes, which are very common amongst this age group in Swaziland. Mr. Dlamini, a discerning eater, loved tasty meals which being a gourmet cook, he could easily fix for himself. He had particularly developed a fondness for many herbs and spices, which he used on all his dishes. However most of these have a high salt content, which his doctor warned, was hazardous and exacerbated high blood pressure. He was advised to eliminate or at least reduce his salt intake significantly. Whilst considering ways and means of making his food tasty without salt, he immediately realized that he is not alone in this dilemma.

Having used a variety of herbs and spices in his cooking, Mr, Dlamini was very knowledgeable about the salt content of most food seasoning. By trial and error, he was able to create a low salt seasoning mix that could be used to replace salt in most instances. The product he developed contained less than 10 percent salt. He tested his product in various local occasions such as family Christmas dinners and charity sales. After determining these tests successful, he decided to launch his product on a commercial scale. He created his own company and used his savings to develop and register trademarks. He wrote the business plan and concluded that he did not have sufficient funds to start the business. His attempts to obtain a bank loan were unsuccessful and he abandoned the idea of embarking on a full scale commercial venture. He continued the production of small batches made to order, and eventually raised 55% of the required capital. His mother and two friends each contributed 15% share capital.

The initial marketing plan was simple, to get the product in the hands of consumers. Mr. Dlamini personally visited the managers of supermarkets and convinced many to allow a tasting demonstration booth to be set up in their stores. These proved to be very popular and the product was a hit such that in a short time, he was able to secure a contract with food brokerage firms to place it in 10 stores.

The company's objectives for the year are to stabilize its existing markets and to achieve a 5 percent market share in the category of seasoned salt and a 10 percent share in the salt substitutes market. This is currently 5 percent. The following year's objective are to open eight new markets which shall make up 17 percent of sales. The long term goal of the company is to increase sales from the current E500,000 to E3,000,000 per year over a four year period. An aggressive marketing drive shall be used to penetrate new markets in order to attain these objectives. Since current sales were accomplished with absolutely no advertising, the company can even be more successful in future with a fully developed and funded advertising campaign. The approach will include advertisements in the print media, offer of coupons and in store demonstrations. The advertisements will emphasize the tremendous versatility of usage, the great taste and the health benefits of the product. A new product, a dry mixed uncooked soup which is already developed will be added during the four year period. This product has not been heavily advertised.

Mr. Dlamini has indicated a need for E100,000 capital infusion for the commercialization and expansion phase of this business. The funds shall be used to secure ware house space, advertising and to meet operating expenses.

Questions

- (a) Comment on the business objectives and strategic marketing approach. Are these reasonable, overly optimistic or too conservative? Give reasons for your answer (15 marks)
- (b) What marketing mix would best support the business and why? (15 marks)
- (c) What sources of capital should Mr. Dlamini use to obtain the capital required? (10 marks)

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SECTION B

Question 1

The role of entrepreneurship has never been more prominent as it is today in Swaziland. The country is at a crossroad, where wage employment is poised to decline dramatically in the next few years as the Government reduces its recurrent expenditure as part of the Fiscal Adjustment Initiative, which is required to mitigate financial pressure emanating from the loss of the SACU revenue. The country's leaders are calling for entrepreneurial strategies to absorb excess labor and curb unemployment which is spiraling out of control. Is it realistic to expect the business sector to cure the economic ills that shall result from the Initiative? What barriers shall people face as they venture into entrepreneurship in Swaziland? (20 marks)

Question 2

New businesses have a high failure rate, which can be as high as 80% in the first year of operation. After working hard to establish a business, it is tempting to ignore imminent business bankruptcy and hope for a miracle. But there are always indications that show one that the business is about to collapse. What are these signs? How can one deal with business failure? (20 marks)

Question 3

Some say one is either born with creative talent or never have it. Is this true? How can one cultivate the creative capabilities that are so necessary in order to innovate continuously in ones businesses for success and competitiveness. (20 marks)

Question 4

Most aspiring business owners always dream about starting their "own" businesses. In this economic climate of severe financial scarcity, such an individualistic approach is highly unrealistic. We should learn to explore partnership and other strategic alliance opportunities if we want to realize our dreams. What other advantages can one derive from a strategic alliance? What are the various types of such alliances and how can one make a success out of them? (20 marks)

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