

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION
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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

From a position of relative obscurity at the Royal Bank, Musa Dlamini launched a string of major banking innovations, including consumer certificates of deposit, simplified current accounts and master charge, which he played a major part in establishing. How he was able to do this is the result of a loophole that makes intrapreneuring in service organizations simpler than intrapreneuring in manufactured products, as the cost of developing a new service can be relatively low. Musa was able to launch many of his innovations before management found out about them. When they did, he was able to show them successes rather than ideas, and thus it was too late for them to object.

As the director of market research, Musa was not satisfied just to find customer needs and then tell others about them, hoping someone would then develop the new services to meet the needs he had identified. A true intrapreneur, he took responsibility for the entire effort, from beginning to the end, working to invent the services and to make them happen. To do so, he worked with a team in marketing, including his boss, Phiwa Kunene, and the director of advertising, Nathi Mkhonta.

Part of what made Musa so successful in this and other intrapreneurial ventures were his political skills, stemming perhaps from his experience as campaign manager for the local government. Whether by luck or design, he seems to have encountered little resistance in introducing major innovations.

For all his efforts at helpfulness and his political skills, Musa was still an irritant at the Royal Bank. He survived only because of the constant guidance and protection of Phiwa Kunene, under the umbrella of Paul Mabuza, the General Manager. "Phiwa understood and could explain what I was trying to do in terms other bankers could comprehend.." Phiwas recalls "Sometimes it was quite necessary to tone Musa down." When Musa designed the simplified current account plan, later called the 3-2-1 current account plan, he wanted to call it the honest current account. He came to this name because he believed that there was a dishonest motive behind the complexity of the banks existing current account service charges. It is true that in his market research, Musa found that some customers believed that current account plans were a conscious attempt to confuse and exploit the ordinary individual customer, but it was highly impolitic to suggest that he believed they were right. This line of reasoning was hardly flattering to the bank officers, and it would not have been an effective way to introduce the concept of simplified current accounts to them. Phiwa talked Musa out of the name by pointing out that only pawn shops and used car sales men used the word "honest" in their advertisements or names. By so doing, he saved Musa from his own idealism.

Towards his end of stay at the Royal bank, Phiwa Kunene sued his friend Paul Mabuza in an internal battle. He left the bank and within three months, and without the guidance and protection of his sponsors, Musa was fired.

Questions

- (a) Explain whether you would regard Musa as a corporate entrepreneur. Motivate your answer (20 marks)
- (b) Would Musa's behaviour been different if he had been running his own business? Identify and discuss the ways in which it could have been different. (20 marks)

SECTION B

Question 1

Youth Entrepreneurship is rapidly gaining recognition around the world as a national development strategy that needs to be promoted and encouraged. Give two reasons for this occurrence. Identify and explain some of the factors that motivate or demotivate young people in engaging in business. (20 marks)

Question 2

Franchising offers someone who has developed a certain business system (franchise) and owns the intellectual property rights (trademarks, copyrights, patents) to make the business system available to others in exchange for payment. S/he gives exclusive rights of local distribution to independent retailers. The major advantage of buying a franchise is buying a business concept that is already in existence and is proven. However, it is not foolproof against failure. It is important to evaluate a franchise opportunity carefully. Discuss the factors that need to be critically assessed by an entrepreneur when buying a franchise. (20 marks)

Question 3

Going public refers to selling some part of the business or shares to the general public through a registration statement filed with the local stock exchange authority. There are certain advantages and disadvantages of going public, to the business. Discuss these using examples. (20 marks)

Question 4

Writing a business plan and establishing a business is only the beginning of the game as far as enterprise management is concerned. Managing the business once it has been established needs careful attention as the risk of failure is ever present. Financial management, in particular cash flow management is of particular importance as cash is the life of the business. What measures should one put in place to manage cash flow? Give reasons for your answer. (20 marks)