

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
ACADEMIC YEAR 2012/13

TITLE OF PAPER: Foundations of Small Business and Entrepreneurship
COURSE NUMBER: FT/IDE: BA 001
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 the Swaziland Development Bank assesses a company that has applied for development finance, it looks at the qualities of the entrepreneur who runs the business. Mr. Peter Mabuza can lay claim to being a winner, as he showed when his company, Mshabalala Engineering Systems (MES) was named entrepreneur of the year by the Federation of Employers and Chamber of Commerce. Mr. Mabuza, an engineer turned entrepreneur, has built up the business from a workforce of three people to sixty. It has produced products that are as good or even better than international competitors products. The company produces chains that are used for machines that give just the right amount of food for feeding poultry and pigs. It exports up to 97% of its products to 37 countries, and it competes in this market with manufacturers based in the USA, Taiwan and the Far East.

Becoming successful took hard work, a clear plan and determination. Peter, who graduated as a manufacturing engineer at a University in South Africa, always had a passion for manufacturing something. This emanated from a childhood spent in his father's garage where his dad was always tinkering with one or another outlandish new idea for vehicle spare parts. His first job as a consultant at Du Pont Steel exposed him to the development of various steel products. After three years, he sold his part of the consultancy to start his own. He used his money to find out what products he could manufacture to replace products bought from overseas.

After considering a few ideas, he spoke to farmers who told him about expensive equipment imported from overseas and used to make machines for feeding poultry. After that, they went through the whole process again to identify the right materials and experimented with various steels before settling on the right ones. He then concentrated on the market place. He went to poultry shows around the world to decide whether there was potential to export them. He began manufacturing in 2008. MES's first exports were to Mozambique. Two months later, they exported to RSA, which was a major breakthrough. The company now manufactures 2,000 kilometers of chain systems annually. In addition, it has developed other products for the pig feeding market. In the early stages, they experienced problems with the complexity of developing the equipment. It was something they could not go out and buy. Mr. Mabuza had to rely on his own skills to manufacture the machine tools himself. As a qualified engineer, he never thought he would be spending days and nights in overalls and gumboots. He had thought he would only be sketching designs and attending meetings. The company only achieved top quality production after 3 years from establishment.

Questions

1. Discuss the characteristics in Mr. Mabusas background that influenced his career as an entrepreneur. (20 marks)
2. What are the benefits and drawbacks for Mr. Mabuza in becoming an entrepreneur? (10 marks)
3. Discuss Mr. Mabuza's risk appetite as evidenced by his decisions as he conducts his business. To what extent is he a risk taker? Give reasons for your response. (10 marks)

SECTION B

Question 1

Inadequate access to finance is often cited as the major challenge to SME development. Identify and discuss the most typical problems SMEs encounter in trying to obtain business finance.

(20 marks)

Question 2

Creativity is about being the first with an idea, learning from mistakes and improving on existing ideas. Contrary to popular belief, creativity can be learned. Discuss the methods/ techniques by which one can develop or enhance ones creative capability.(20 marks)

Question 3

Distribution is about finding the best outlet(s) for customers to receive the products or services that you offer, and keeping the outlets supplied so that those who want to buy are able to do so. Often times, this necessitates the use of middlemen. Identify and describe examples of wholesalers and retailers. (20 marks)

Question 4

To deliver the business's product or service, the entrepreneur needs inputs like capital, labour, raw materials, parts and other resources. Manufacturing businesses spend more than half of their income from sales on production means, This emphasizes the importance of the purchasing function. Discuss the objectives of the purchasing function, highlighting why each is important.

(20 marks)