

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
ACADEMIC YEAR 2019

TITLE OF PAPER: Entrepreneurship and Small Business Management

COURSE NUMBER: BUS 632

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.

SECTION A

Canadian Native, Sam Goodman started Beijing Sammies, a sandwich cafe in 1997. Aside from producing food for the everyday walk in customer, Sammies provided fare for company meetings, presentations, picnics and gifts. Sammies was open for breakfast, lunch and dinner and delivered all products to its customers. The menu included a selection of sandwiches, salads, bagels, brownies, cookies, coffee, soda, and tea. The idea of Beijing Sammies originated from Goodman who moved to Hong Kong after college and subsequently to Beijing to attend Beijing Language and Culture University. Goodman yearned for a place to hang out and eat traditional sandwiches or "sammies" that reminded him of home.

Starting out with \$25,000 borrowed from friends and family back home, Goodman opened Beijing's first sandwich shop. In order to more easily get past the bureaucracy involved with opening a café in China, Goodman located a Chinese partner to navigate the regulatory environment. The agreement was that Goodman would buy him out once the business was established. After the initial four months, the business was a hit in the market. It was so successful that the local partner attempted to strong arm Goodman out of the company. He was advised that going the legal route to prevent this would not serve the purpose due to the backlog of cases in the courts of Beijing. Goodman rallied some friends and broke into the shop one night and removed some appliances. The local partner eventually agreed to be bought out. Soon after Goodman bought out the local partner, the landlord disappeared. The Chinese government demanded that the tenants cover the landlords back taxes. When they failed to do so, the government demolished the whole row and left the tenants with the bricks. Goodman was able to sell them for \$25 only. Goodman responded to this calamity by opening a café at the Beijing Language and Culture University.

Again Sammies opened up to a stream of customers, particularly from foreign students and local corporates. Modelled on Goodman's version of a New York deli, Beijing Sammies staple is the sandwich. Each sammie starts with homemade bread made every night at Sammies kitchen. Customers could order standard sammies or could create their own. Goodman found the preset menu popular with the local customers whilst many foreigners frequently customized their sandwich. Having a menu of pre-crafted sandwiches was necessary as many Chinese customers simply did not know how to order as they did not understand the notion of selecting different meats and condiments. Goodman realized that in the absence of standard menus, local customers simply left without placing an order. They did not know how to and did not want to look foolish ordering something inappropriate. Saving face or saving ones dignity is very important in Chinese culture and customers either ordered what the person in front ordered or left.

In 1998, after realizing success with the first café, Goodman expanded the business to five outlets; four delis and a kiosk. All the outlets were supplied from the deli at the University and did not have kitchens. Goodman decided to build a central kitchen with the capacity to serve all the outlets. Goodman sought and obtained some western investment and used all the profits from his previous two years in business. He could not raise capital from local financial institutions due to his citizenship status despite the company being registered locally. He was determined to be a flight risk. He was able to put together \$150,000 and opened three new outlets. Converted to local currency, that amount of money was just adequate to expand the business as the dollar was

stronger than the Chinese currency. The expansion allowed Goodman to adequately serve the Beijing area which also firmly established Beijing Sammies in an increasingly competitive environment. By the end of 2001 Beijing sammies was recording a monthly revenue of over \$500,000 and by the end of 2003 the company had recorded positive net income.

As Beijing Sammies adapted to the Chinese competitive environment, Goodman increasingly turned to the delivery business for revenue. But the model did not work very well due to lack of expertise in delivery logistics. Goodman found that the delivery model in China was very different from the Western or American model. Clients have no understanding of what goes on behind the scenes, and did not understand that it is nearly impossible for the business to take a large delivery order for a corporate client and bring it ten minutes later. Goodman did not plan for all the possible problems that a different culture would bring. This definitely had a negative impact on the business at first. In addition to overcoming the existing perceptions and expectations of the customer, Goodman also learned about the prevailing attitude of the employees. One of his biggest challenges was not the Beijing City support infrastructure but the customer service skills and teaching his employees the concept of service. For many of the employees, service was opening the store in the morning and closing it at night. To Goodman service was more than that. It was what would differentiate Beijing Sammies from competitors. Service was not only delivering the product on time with the correct number of forks and knives but was also helping the customer to understand the product. For Sam Goodman the initial years of operation proved that Beijing Sammies could hold a niche. While he was pleased to see the business growing, he however wondered if it would ever sustainably create the wealth he expected and whether the employees would ever adopt his concept of service or if the answer lay in increase automation, training or elsewhere.

Reference: Adapted from; Hisrich, Robert and Peters, Michael, Entrepreneurship, Starting, Developing and Managing a New Enterprise, Third Edition, R.d. Irwin, Chicago, 1995.
(CASE 4; BEIJING SAMMIES, pg 470)

Questions

- (i) Analyse the cultural dynamics of attempting to establish and operate and trade a western type of business in the Asian market that were experienced by Goodman and the impact of these differences on the business (20 marks)
- (ii) There are other factors besides cultural differences that influenced Goodman's journey as he sought to establish and operate the business in a foreign environment. Discuss these and explain how they hindered or expedited business performance. (20 marks)

SECTION B

Question 1

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. Explain and analyze the unique features of a franchise in comparison with a similar ordinary business, highlighting the advantages of buying a franchise. (20 marks)

Question 2

The plight of young people in Eswatini has been often described as a “ticking time bomb” due to the high level of unemployment among the demographic population, which exceeds 50% for those of an employable age seeking jobs. In the face of the scarcity of job opportunities in the country, young people are being redirected to entrepreneurial pursuits, and the Government and other development practitioners are focusing their efforts towards promoting this through special programs. There are however unique challenges that face young people as they attempt to pursue the entrepreneurship option. Analyse these challenges in the context of Eswatini, making recommendations on how each challenge can be overcome. (20 marks)

Question 3

The anchor skill for entrepreneurship is creativity and innovation in addition to managerial capability. Whilst managerial skills can be acquired through academic training, this is not yet available for creativity and innovation. However, aspiring entrepreneurs can engage specific techniques to cultivate and enhance their creative abilities, and develop creative mindsets. Discuss the techniques that a person can use to increase their creativity and the features that creative mindsets tend to exhibit. (20 marks)

Question 4

SME businesses often have close ties with the social identity and activities of the owner and as such when the business fails it is viewed as personal failure by the entrepreneur. To evade failure SME owners tend to procrastinate winding up a failed business and also fail to observe and recognize that the business has failed and should be liquidated. Discuss the symptoms of a failing business that indicate that it should be liquidated or re-organized. (20 marks)