

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
NOVEMBER 2019

TITLE OF PAPER: ENTREPRENEURSHIP

COURSE CODE: BUS 303/BA403

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:

- 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**
- 2. THE CASE STUDY ON SECTION (A) IS COMPULSORY. TOTAL MARKS POSSIBLE: 40 MARKS**
- 3. ANSWER ANY THREE QUESTIONS FROM SECTION (B): TOTAL MARKS POSSIBLE: 60 MARKS**

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK

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SECTION A (Read the following case carefully)

Robert G. Mondavi, the son of a poor Italian immigrant began making wine in California in 1943 when his family bought the Charles Krug Winery in Napa Valley where he served as general Manager. In 1966, at the age of 54, after a severe family dispute over the control of the winery, Robert used his personal savings and loans from friends to start his own winery with his eldest son, the Robert Mondavi Winery. Roberts vision was to create wines in California that could compete with the greatest wineries of the world. To compete with wines from France, Spain, Italy and Germany.

To achieve this, he built a limited quantity premium quality brand using the best grapes, which brought the highest prices in the market and had the highest profit margins per bottle. He also produced less expensive wines that he could sell in higher volumes to generate cash that allowed him to expand the business. He dedicated time and effort to finding the best vineyards and signed long term contracts with growers, working closely with them to improve grape quality. Mondavi built a state of the art winery that became a premium wine making facility, the best practice in wine production, set the standard in the wine industry. He was the first wine maker to assemble various experts in the field , developing new technology that allowed special handling of wine grapes. He further created process innovations in wine making such as steel fermentation tanks, vacuum corking of bottles, and aging of wines in new French oak barrels. In 1972, Robert Mondavis hard work and dedication was formally recognized when the Los Angeles Times Vinters Tasting Event selected his winery as the top wine producer in California.

Despite Robert Mondavis relentless efforts things did not always go smoothly. The improvement quality of his wines did not spark off the expected response from the market. The interest from top wine shops, hotels and restaurants across the country was waning. So Mondavi travelled throughout the country and abroad promoting Napa Valley wines and often offered restaurant employees samples of his wine to taste. Slowly Mondavi got his wine on the list of the top five star hotels in the United States. He began to raise his prices to the price level of comparable French wines. Subsequently the company expanded his capacity to produce 500,000 cases of wine annually.

At this time Mondavi started building a portfolio of premium wine brands to satisfy the needs of consumers in various quality and price segments of the domestic wine market. Consequently he diversified the business portfolio through acquisitions financed by long term debt. In the early 1990s Robert Mondavi faced financial difficulties as a result of the rapid expansion, increased competition, and a disease infestation of several of the company's vineyards , which necessitated replanting. Mondavi decided to raise more capital by offering shares of stock to the general public. Unfortunately due to poor information on the wine industry, the companys share price plummeted within days of the initial public offering, slashing the value of the company by half. There were only two other publicly traded wine companies and wine industry information was scarce. Robert began educating investors, trying to convince them that it is possible to build a strong globally recognized business in the wine industry. He sent teams to all the major cities in the country to make wine presentations, receptions, and tastings to investors. "We had to mount an effective campaign and take it right to them and not just explain our approach but put our wines right in their hands! Let them taste in their own mouths our expertise and commitment to excellence." Robert said.

In the mid 1990s the company started engaging in various multi national partnerships on a 50-50 basis. It partnered with companies in France, Italy, Chile, Australia to name a few. Today the company continues to pursue its goals around the world with its unique cultural and innovative spirit and its consistent growth strategy reaching revenues of \$441 million in 2017. It has been a major force in leading the countrys wine industry into the modern era and Robert Mondavi has devoted his life to creating fine wine culture. Through hard work and constant striving for excellence he has achieved his goal of causing California wines to be viewed as some of the great wines of the world.

Question 1

- (1) Identify and analyse Robert Mondavi's entrepreneurial traits and circumstances, their positive and negative impact on his wine business (25marks)
- (2) Discuss Robert Mondavis response to the challenges he encountered in his company (15 marks)

SECTION B

Question 2

Women entrepreneurs comprise the majority in the micro scale informal business sector. A large number of homes also depend on a woman's income for survival, highlighting the importance of their effective participation in business. However, there are gender specific and unique barriers faced by women in business including gender discrimination, inadequate support, multiple gender roles and others. Conduct a comparative analysis of women versus men's participation issues in the world of business. (20 marks)

Question 3

The 4P creativity model by Rhodes (1961) identifies four elements of creativity, the person, the process, the press and the product. He describes creativity of a person as a right brain activity and learnable skill. Discuss the mind-set and features of a creative person and the press or environmental barriers that may hinder creative thinking. (20 marks)

Question 4

Identify and describe some of the motivational factors that influence individuals to pursue entrepreneurial outcomes, and the extent to which they will exert effort and change their behaviour towards entrepreneurial outcomes. (20 marks)

Question 5

SME start-up businesses usually rely on venture capital such as that from finance development institutions, informal investors. This type of investors specializes in non-secure or non-collateralized debt financing. Discuss the most common types of venture capital firms and review the process and criteria entrepreneurs have to fulfil in order to obtain funding from such investors. (20 marks)