



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE  
AND TECHNOLOGY**

**UNIVERSITY EXAMINATION 2012/2013**

**2<sup>ND</sup> YEAR 2<sup>ND</sup> SEMESTER EXAMINATION FOR THE DEGREE  
OF MASTER OF BUSINESS ADMINISTRATION**

**KISUMU LC-SB**

**COURSE CODE: MBA 840**

**TITLE: ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT**

**DATE: 2/5/2013**

**TIME: 9.00-12.00NOON**

**DURATION: 3 HOURS**

**INSTRUCTIONS**

1. This paper contains SIX (6) questions
2. Answer ANY 4 questions
3. Write all answers in the booklet provided

## QUESTION ONE

Read the following case and answer the Questions that follow:

Ms Leonora Audo is a Senior Manager in South African Bank that has branches in Kenya, Uganda and Tanzania. She has submitted a project proposal complete with a feasibility study to the bank's headquarter through her manager.

She proposes that the bank should start a semi-autonomous venture capital division targeting the East African regional market. She pointed out in her write-up, singularities of the project as:

- (i) It would be the only provider of that kind of service on a transnational scale;
- (ii) It would be managed by managers as opposed to bankers, economists or accountants;
- (iii) Selection of companies in which to participate would be vigorous and would be restricted to any of those companies that:
  - Either already control adequate market segment or operates in market with unusually high growth rates with opportunities for international expansion
  - Are young growing enterprises with innovative ideas and have proven quality management.

Although Audo's long-term vision is a diversity of investments geographically, industrially and by company size, she has advised that the project should start with investments in companies with obvious promise. She has proposed health care, leisure, electronic communication and financial service industries.

Results of the financial and economic viability analyses are positive, projecting a financial profitability of 30% on equity by fifth year. Even the most conservative sensitivity analyses return positive net present values (NPV).

In spite of the seemingly obvious advantages of the project, Ms. Leonora is still apprehensive about its passage by the Board of directors. The Board sits in Johannesburg and although the chairman of the Board is known to be liberal, receptive individual, Leonora is not certain of support from her chief manager and the Director responsible for the East African region.

Ms. Leonora has just a quiet demeanor and infinite courtesy but these mannerisms belie her reputation for persistence, an aversion for time savers, a penchant for perfection and an obsession with "opportunities." In a number of management meetings, she has been unexpectedly vocal and critical of senior officers including, albeit implicitly, the branch manager. She therefore suspects that the chief manager dislikes her somewhat. As for the Regional Director in charge of East Africa, perhaps for reasons not related to her duties, the man makes a crude point of ignoring her.

Peers at work also find Audo an enigma, sometimes she will go out of her way to be ice and conservative, especially about subjects that are new or in which she has little knowledge. In other

cases, however, she appears anti-social and “disappears” during off duty hours only to re-appear the next working morning usually, before everyone else. Many times she has made herself unpopular among her peers by continuously making restructuring proposals that involves reevaluation of job specifications that mean some job losses.

All of them (peers and top management) acknowledge Audo’s brilliance in financial analysis and ability to discern basic strengths in scenarios everyone else has rejected as hopeless.

She also has the ability to single-mindedly concentrate on a problem to think literally, argue logically and come up with novel albeit simple solutions to problems. They also know that Audo matches a significant level of daring with caution. In her own words, she never takes any action for which she knows no alternative action. Audo is known for her calmness in seemingly unsettling situations and that she rarely reveals a foible characteristically, she attaches no esoteric significance to most of her strengths but seeks to explain them as hard work, determination and persistence.

Ms. Leonora has learnt that the next Board of Directors meeting is due in a month’s time. Her mind is now singularly focused on getting her project passed.

Required:

- (a) Would you regard Ms. Leonora Audo as an entrepreneur?  
Explain. [2 marks]
- (b) Briefly explain, with evidence from the above case, the entrepreneurial traits exhibited by Ms Audo. [8 marks]
- (c) From the case, what are the challenges of entrepreneurship within an organization? [5 marks]

QUESTION TWO

- (a) Assuming you are a business consultant and has been approached by a potential investor who would like to start a small business. Advise the investor accordingly on the processes that must be fulfilled to ensure that the right product or service is selected. [10 marks]
- (b) Explain the term ‘strategic planning’ and highlight its importance to the success of an organization. [5 marks]

### QUESTION THREE

- (a) Is creativity innate or learnt? [5 marks]
- (b) “The poor performance of small scale business is largely attributed to the lack of focused business plan.” Suppose you were a potential financier or has been presented a business plan by the executive of a company, what would be the striking and appealing features of the plan that you would consider to ensure its quality and purpose? [10 marks]

### QUESTION FOUR

- (a) Briefly highlight the process of buying a new business. [5 marks]
- (b) Franchising is a way for small business owners to benefit from the economies of the big corporations. However, some franchisees conclude that they suffer the “worst of both sides” feeling they are too restricted by corporate mandates and lack true independence. Discuss [10 marks]

### QUESTION FIVE

- (a) Succinctly discuss the process of starting a small business [15 marks]

### QUESTION SIX

- (a) What are the potential drawbacks of entrepreneurship development in an economy? [5 marks]
- (b) “Family businesses in Kenya are flourishing a great deal” Briefly explain the advantages of these kinds of businesses and highlight the main issues facing them. [10 marks]