



UNIVERSITY
OF
JOHANNESBURG

FACULTY OF MANAGEMENT
DEPARTMENT OF BUSINESS MANAGEMENT
SUPPLEMENTARY FINAL WRITTEN ASSESSMENT

SUBJECT: Intrapreneurship 3A
CODE: EMT3A01
DATE: July 2016
TIME ALLOWED: 180 Minutes
TOTAL MARKS: 150

EXAMINER(S): Mrs C Jasson
MODERATOR: Dr M Moos (UP)
NUMBER OF PAGES: 5

INSTRUCTIONS:

- This is a closed-book assessment.
 - Question papers must be handed in together with your answer books.
 - Read the questions carefully and answer only what is asked.
 - Answer all the questions.
 - Number your answers clearly.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - Structure your answers by using appropriate headings and subheadings.
 - The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
-

Read the case study below and answer the questions that follow:

Cecelia Okoh is a teacher in a government high school in Alexandra, Johannesburg with 25 years teaching experience. Cecelia has noticed that some high school learners in Alexandra drop out of school because their parents cannot afford the school fees. "To me, education is the key to get out of poverty" said Cecelia. She wants to retire from the government school by the end of 2014 and start a high school to be named Hope College in January, 2015. The mission of the college is "qualitative education for all." The vision is 'to be the best not-for-profit provider of education to previously disadvantaged learners'. The college is going to be a not-for-profit, non-governmental organisation and will be based in Alexandra.

The college will make provision for students that have dropped out of other high schools because their parents could not afford the school fees. Students at Hope College will not be paying fees and the college's operations will be funded by contributions and donations from local and international sources. Cecelia has approached the United Nations Education, Social and Cultural Organisation (UNESCO) for funding assistance. "The other not-for-profit college in Johannesburg funded by UNESCO is in Soweto." said Cecelia. Hope College will need a contribution of R900,000 from UNESCO. Cecelia will contribute R100,000 from her retirement fund. The initial contribution of R1m will be appropriated to rent a building (R200,000), pay teaching and non-teaching employees (R500,000) and other operational costs (R300,000).

The college will start with five teachers, with one additional teacher expected to join each year. Costs are expected to grow at 5% per annum and funding from UNESCO is expected to grow at 15% per annum for the next five years. Cecelia together with four other retired teachers will form the Board of Directors. The student population is expected to be 500 in 2013 growing at 15% per annum for five years. Advertisements for the college will be done on Adam FM (a local radio station) and Alexandra Tribune (a local newspaper) at R10,000 in 2015. "The keys to our success are free education and experienced staff. The risk however is that the college may not be able to get or sustain the required contribution from UNESCO or get the necessary number of students. There are many non-governmental organisations competing for limited funds from UNESCO. However, it is a positive start as UNESCO has required a plan from us", said Cecelia.

QUESTION 1

[13 MARKS]

Cecelia has approached you to prepare the following sections of a business plan for Hope College that can be presented to UNESCO for funding:

- | | | |
|-----|--|-----|
| 1.1 | An executive summary; | (3) |
| 1.2 | A marketing plan; | (4) |
| 1.3 | A service plan; | (4) |
| 1.4 | Advise Cecilia about the importance of the executive summary | (2) |

Your answer must include figures and calculations where necessary.

QUESTION 2**[57 MARKS]**

Read the scenario below and answer the questions that follow:

Chris Johnson, a young aspiring entrepreneur, has discovered that there is no Internet Café in Melville, Johannesburg. He has decided to take advantage of this opportunity and has developed a business plan. The plan indicates that he would need R500,000 to start the Internet Cafe. Chris has R250,000 in savings. "I would not like debt at this stage of my business if I can help it," said Chris.

- 2.1 Advise Chris on the sources of long term funding that he can use to start and grow his business. Discuss and rank the sources in order from the best to the worst source. Motivate your choice of source and ranking. (10)
- 2.2 Illustrate how Chris can develop effective networks for his new business. (5)
- 2.3 Choose two types of networks that will work best in this type of business and motivate your choice. (4)
- 2.4 Develop a business case for Chris to turn his business into a franchise. The following layout is suggested:
 - 2.4.1 Contrast the types of franchises and suggest the most ideal for Chris's internet café. (6)
 - 2.4.2 Discuss the terms and conditions Chris would include in the franchise contract that will regulate his relationship with possible franchisees. Make particular reference to royalties, franchise fees and advertising fees. (9)
- 2.5.1 Which intellectual property violation is most likely to affect Chris as the owner of an internet café? Motivate. Discuss methods by which South African creators of intellectual property can obtain protection. (3)
- 2.5.2 Illegally downloaded videos or music can easily be manufactured into counterfeited products. Distinguish between copyright and counterfeiting by discussing the protection provided by the Copyright Act of 1978 and powers provided by the Counterfeit Goods Act of 1998. (10)
- 2.6 What advice can you give Chris about an accurate accounting system and internal control in his young business? (10)

QUESTION 3**[12 MARKS]**

The questions below relate to family businesses.

- 3.1 Rank the four leadership styles found in family businesses in order of 1-4, with 1 being the style that is most likely to lead to good succession (2)
- 3.2 In light of the above it appears that the business leader is an important factor in determining the success of succession. Do you agree with this statement? What five critical steps would you recommend to the leader of a family business where succession is concerned? (10)

Read the case study below and answer questions 4 and 5:

SUCCESS STORY

After being employed as a draftsman for 18 years Nicolene resigned to start living her passion, which was to make soaps, bath salts, lotions and even knitted facecloths and bathmats under the brand name of *Antjie's Handmade Naturals*. The products are sold at trade fairs, flea markets and recently to hotels. With the help of her husband Jack, they transformed their garage into a factory. He would mix the ingredients such as caustic soda and expensive essential oils, pour the mixture into containers and cut up the finished products, after which Nicolene would carefully clean off the soaps before wrapping, labelling and packaging them.

Nicolene considers her determination and conservative approach as the reasons behind her business' success. "Building Antjie's has been a challenging task. I must confess, I didn't follow the textbook approach to starting a business. I never researched the potential market size, the best business form to choose, or the cash flow I would need or even if Jack and I would be able to manage the business as it grows". "Jack is my business partner, but our partnership is not formally defined". Nicolene was certain of one thing however, and it was that she drew great satisfaction from her business, despite the "sleepless nights caused by cash flow shortages and occasional run-ins with our now 20-strong staff complement".

It was at a flea market that she met Lynn, a wealthy B Comm graduate turned stay-at-home mom looking for a challenge. Lynn was so impressed with Nicolene's products that she called her the following week with an offer to invest in the business as a partner. Nicolene was flattered and although apprehensive about relinquishing control to a partner, realised Antjie's could grow internally from a cash injection. After all, she had no idea if Lynn would fit into her humble business and if she would treat as confidential Antjie's accounting information Nicolene was about to share. Nicolene agreed to a meeting on condition that they sign a non-disclosure agreement to protect the business information. Jack was less emotionally attached to the business and told Nicolene to consider harvesting and using Antjie's as a "capital cow".

Nicolene had no reason to fear however. Lynn employed her university knowledge and had a carefully thought out plan for their first official meeting. She was confident that her accounting and legal background would allow her to negotiate well, but also to contribute greatly as a potential partner in Antjie's.

QUESTION 4**[15 MARKS]**

- 4.1 Do you think Lynn was impulsive when she offered to invest in Antjie's? Motivate your answer. (1)
- 4.2 Discuss the process you can recommend she follows when negotiating to buy a share in Antjie's. (14)

QUESTION 5**[53 MARKS]**

- 5.1 Given the fact that Jack suggests harvesting, at which stage of its life cycle do you think Antjie's is? Motivate your answer by discussing the four stages of the venture life cycle and highlighting the stage where Antjie's is. (9)
- 5.2 Discuss the concept of a 'capital cow' and if Antjie's has potential to be a capital cow. (2)
- 5.3 Discuss two personal goals Nicolene may have had when she started out with her business. Compare and contrast these with the financial and strategic goals of her venture. (6)
- 5.4 Where would you position Antjie's Handmade Naturals in relation with other potential competitors such as Dove and Lux? Consider pricing strategies, apparent target groups and value offering. (6)
- 5.5 According to Wickham (1998: 270) appropriate management functions must be in place for any business acquiring resources to manage growth. Discuss the typical challenges facing Antjie's as a growing entrepreneurial venture. (8)
- 5.6 Is the capital injection offered by Lynn an example of internal or external growth? Motivate your answer by contrasting internal and external growth. (4)
- 5.7 Without the benefit of the investment Lynn suggests, what forms of internal growth strategies may Nicolene follow? (12)
- 5.8 Undoubtedly Lynn's investment will create some new business opportunities, but it may also present certain risks. Discuss two potential risk factors associated with this growth opportunity. (4)
- 5.9 Compose a new mission statement for Antjie's that reflects their new growth potential. (2)

END OF ASSESSMENT