



JOHANNESBURG BUSINESS SCHOOL
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS MANAGEMENT
FINAL WRITTEN ASSESSMENT

SUBJECT: Entrepreneurship and New Venture Creation
CODE: ENV 3C01
DATE: 15 November 2017
TIME ALLOWED: 90 Minutes
TOTAL MARKS: 80

EXAMINERS: MRS C JASSON
MODERATOR: PROF S. DHLIWAYO
NUMBER OF PAGES: 14 PAGES

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:
 - Answer **section A** on the scanner sheet provided. Indicate the correct answer as per the instructions on the scanner sheet.
 - Answer **section B** in the answer book.
- 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.

SECTION B**[40 MARKS]**

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

Decisions, decisions!

The Advance Telecom Company (Advatel) provides cellular related services such as cell towers. A Cell tower is a cellular telephone site where antennae and electronic communications equipment are placed, typically on a radio mast, tower, or other raised structure, to create a cell in a cellular network. The raised structure typically supports antennae and one or more sets of transmitter/receivers transceivers, digital signal processors, control electronics, a GPS receiver for timing, primary and backup electrical power sources, and sheltering. The firm has been in the capable hands of the Steele family for many years. Jake Steele, the CEO, started the business 25 years ago is considering retiring when he turns 60 next month. Jake wants his daughter, Ana who has been working with him since she finished university 3 years ago, to take over from him, while he reduces his involvement in the business and act as her mentor.

Ana has different ideas for the family business however. As part of her strategy, she is considering selling at least 60% of the firm by forming a smart alliance or merger with a European company called Teltron, to raise much needed cash flow in the business. Jake doesn't agree because he thinks Ana will be giving away too much control, and advises her to choose a BEE partner instead.

Teltron has invested in R&D activities but instead of an alliance is considering the acquisition of a firm in an African country that will complement their offering. Their ultimate goal is to franchise the African operation, making telecommunication possible in among previously disadvantaged communities.

In the end father and daughter agreed to form an alliance with Teltron and apply to the bank for a loan to finance their short-term working capital requirements and other expenses related to the alliance. After all, this will enable Advatel to be instrumental in the development of the franchises of emerging entrepreneurs. Ana was asked to submit their balance sheet and she hugged herself, knowing that she has been maintaining accurate records with the help of their accountants.

QUESTION 1**[6 MARKS]**

One of the three strategies Advatel can follow to obtain a sustainable competitive advantage is a cost leadership strategy. Discuss any two of these strategies Advatel may follow and choose the best one for the firm. Motivate your answer.

QUESTION 2**[7 MARKS]**

- 2.1 According to Timmons and Spinelli (2009), poor planning, financial or accounting systems, practices and controls are often cited as reasons for business failure. Discuss this aspect and advise Ana about how to avoid it. (4)
- 2.2 Evaluate the business cycle of the transport, storage and communication sector where Advatel operates and indicate how it is likely to affect the business. (3)

QUESTION 3**[19 MARKS]**

- 3.1 Distinguish between internal and external growth strategies by giving a brief definition of each kind of strategy. (2)
- 3.2 Name the type of strategy Ana is proposing. Motivate your answer. (2)
- 3.3 Discuss the social responsibility Ana or Jake as the owners of Advatel would have toward the possible investors they have in mind for their merger. (4)
- 3.4 According to our textbook, franchisors may also enter into joint venture agreements with franchisees. Discuss **six** reasons why this may be an attractive business model. (6)
- 3.5 Since Advatel is an established business, it may select the business site for their intended franchisees. Name other types of business support the company as the franchisor should provide. (5)

QUESTION 4**[8 MARKS]**

- 4.1 Discuss any **two** of the typical aspects usually involved in a corporate social responsibility (CSR) programme. (4)
- 4.2 Technology brings data (reusable information) to a business system. Discuss two other benefits of technology. (4)

END OF ASSESSMENT