



UNIVERSITY
OF
JOHANNESBURG

**COLLEGE OF BUSINESS & ECONOMICS
JOHANNESBURG BUSINESS SCHOOL
DEPARTMENT OF BUSINESS MANAGEMENT
SUPPLEMENTARY EXAMINATION**

SUBJECT: Entrepreneurship 3A / Intrapreneurship 3A
CODE: INT3A01
DATE: 2018
TIME ALLOWED: 180 Minutes
TOTAL MARKS: 150

EXAMINER(S): Dr H Boikanyo (APK) & Dr V Kalitanyi (APB)
MODERATOR: Dr J le Roux (external)
NUMBER OF PAGES: 4

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

QUESTION 1**[37 MARKS]****Farming in the Free State**

Jabu inherited a successful dairy farm north of Bloemfontein. He supplies milk and meat products to a variety of retailers in the Free State and south Gauteng areas. His son, Junior, just returned from Germany where he fell in love with Haagen Dazs ice cream and he excitedly suggests the family opens a Haagen Dazs ice cream franchise in Mimosa Mall, Bloemfontein.

Although Jabu has promised to give it some thought, he is weighing up a number of pros and cons. His immediate concern is that his young son seems directionless and never really took an interest in farming. Besides, his daughter Merriam and her husband have been working alongside Jabu and will probably succeed him in running the farm. Jabu doesn't want conflict between his children. On the other hand, having the franchise may secure a job for Junior, as well as a market for his milk, cream and other dairy products. He also knows that traditionally, it was expected of South Africans to have a certain mix of attributes and that the barriers to entry in that field are high. He will not have time to manage the farm and the franchise but Junior may not be mature enough.

Upon closer examination of the franchise contract Jabu noticed that R1million is payable upfront, as well as a 5% monthly royalty, but the contract does not include a clause on termination. Due to the absent escape clause and the high cost of the franchise, Jabu suggests that Junior investigates the possibility of buying an existing ice cream shop instead. Jabu feels overwhelmed by all the new information and feels he needs advice from a family council or advisory board.

- 1.1 Demonstrate the external growth strategy Jabu would be following should he supply dairy products to the franchise. (9)
- 1.2 Prepare a checklist Jabu can use to evaluate the Haagen Dazs or any other franchise agreement pertaining to **termination** of the agreement. (11)
- 1.3 Could a Haagen Dazs franchise under Jabu or Junior's guidance grow internally? Demonstrate why or why not. (7)
- 1.4 Demonstrate 5 valid reasons for buying an existing ice cream shop and 5 reasons for buying the Haagen Dazs franchise. (10)

QUESTION 2**[43 MARKS]****Decisions, decisions!**

The Advance Telecom Company (Advatel) 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 on an IPO (Initial Public Offering) 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.

There is also the option of forming a smart alliance or merger with a European company called Teltron. 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. Jake heard about Teltron from a friend at the Johannesburg Chamber of Commerce. An alliance may not give Advatel access to the large amounts of cash made possible by an IPO, but it will give them an opportunity to gain access to the advanced IP developed by Teltron over the years.

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.

- 2.1 Can Advatel be considered a family business? Yes or no? Demonstrate your answer by discussing what constitutes a family business. (6)
- 2.2 Discuss the four management styles leaders may employ. Choose the one that is closest to the one Jake is displaying. Demonstrate how his management style may influence succession. (9)
- 2.3 Discuss Jake Steele's intended aims and objectives when he suggests mentoring Anastasia. Support your argument with examples from the case study. (6)
- 2.4 Apart from the business mentoring Jake Steele is suggesting, explain the aims and suitability of two other kinds of business support available to Anastasia as a new entrepreneur. (10)

- 2.5 Briefly discuss Ana's three venture goals, i.e. personal, financial and strategic. Suggest one example of each from the case study. (12)

QUESTION 3**[50 MARKS]**

- 3.1 Ana has prepared a business plan for the smart alliance or merger with Teltron. Write a summary of this business plan in no longer than 10 sentences focussing on the current operations and future plans, and secondly on the competitive advantage and growth prospects. (12)
- 3.2 As a young business looking for growth opportunities, would an offensive merger or an alliance work better for Advatel? Motivate the reason for your choice by illustrating the differences between the two strategies and discussing any two advantages and disadvantages of each strategy. (12)
- 3.3 Considering the four types of resources we studied, compare the types of resources Advatel can contribute to the alliances and the type of resources Teltron can contribute to the alliance. (12)
- 3.4 Demonstrate the importance of an accurate accounting system and internal control in Advatel as a business that is on the verge of a merger. (14)

QUESTION 4**[20 MARKS]**

- 4.1 Considering the complications of listing on the JSE, compare the pros and cons of an IPO and advise Ana accordingly. (12)
- 4.2 Advatel may need to change its structure in response to the contingencies of size, technology, strategy and environment. Analyse the company's current structure and suggest responses to these contingencies. (8)

END OF ASSESSMENT