

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION
ACADEMIC YEAR 2011/12

TITLE OF PAPER: Foundations Entrepreneurship and Small Business Management
COURSE NUMBER: BA001 (FT/IDE)
TIME ALLOWED: Three (3) hours

INSTRUCTIONS

1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. THE CASE STUDY SECTION (A) IS COMPULSORY
3. ANSWER ANY THREE QUESTIONS FROM SECTION B

NOTE: You are reminded that in assessing your work, account will be given of the accuracy of language and the general quality of expression, together with the layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

SECTION A

Ezulwini Chocolat

Africa is not known for its chocolate. This lucrative \$80 billion global industry has been dominated for centuries by the Swiss and Belgians, but inventive and creative South African chocolate maker, Mchunu Nontwenhle had dreamed of putting South Africa on the world chocolate map. She wanted to combine her passion with experience and training. 'I am passionate about food and craft' she says. Chocolate proved to be the best way to combine the two things that I love most. It took a lot of experimentation, tasting and appreciation before I was ready to sell my product. This along with the lessons I learned at the Ackerman Academy for Entrepreneurial Development – teamwork, the value of powerful networks and mentorship – and the lessons I have learned in my fathers shop were crucial to the success of Ezulwini.

Starting out

Nontwenhle asked her father for a stake in the family trading store in Nkandla in northern KwaZulu Natal just five months after completing her matric. Having worked there during her school holidays most of her life, she had learned the ropes and wanted to take ownership of her work in every sense. 'I developed the tea room into a fast food joint which really took off. Sales were improving steadily but I was paid like any other employee. I wanted to be made partner.' But Nontwenhles father had other ideas.

A couple of months later she was on the road again, this time to Durban. To support herself, Nontwenhle got a job in a bank and in her spare time did catering courses. 'It was in 2003 that I went to a workshop on desserts – and that was it! I just thought. Wow! Who is making chocolate? I did some research and discovered that there was a gap.' From the kitchen of the flat she was renting, Nontwenhle started experimenting with chocolate. Soon she was selling door to door and to her clients at the bank. But the banking environment and flogging credit to the poor was sapping the life out of her.

Desperate to learn more about running a business, she left the bank and joined a company that owned a string of cafes. It was ideal for a season. It afforded her an opportunity to learn about IT, design her logo, and start a newsletter for her chocolate loving customers. More importantly, though, it provided her with free access to the internet to research chocolate.

Soon enough, her research started pointing her to Cape Town. The top hotels and hospitality industry offered the perfect target market for Nontwenhle's chocolates. Arriving in the city with nothing but some clothing and R50, she quickly took a job doing administrative work, all the while plotting and dreaming up ways to start her chocolate factory. Nontwenhle was with the company just long enough to acquire a credit card and some debt when she was suddenly retrenched in June 2005. 'I was devastated at the time although I realize now that it was a blessing in disguise'. Cash strapped and dejected, Nontwenhle began to question everything. Perhaps her father had been right, she thought. Maybe a tertiary qualification was what she needed. But she would have to finance her studies herself. She went to UCT to investigate a course in Business Studies only to be told that that without maths and science as high school subjects they would not take her.

'I just refused to accept that because of my silly choices, I would be prevented from studying what I wanted to study. So I asked to see the head of the department. We spoke and he directed me to the Raymond Ackerman Academy. She couldn't have wished for better advice. 'Getting accepted to the course was a turning point in my life.' The following six months were intense and immensely rewarding. Meeting Mr. Ackerman, attending his lectures, and having him journey with me has been incredibly empowering. Mr. Ackerman has affirmed for me the kind of entrepreneur I want to be.

Learning from the best

Nontwenhle has the opportunity to study at one of Europe's highest rated food institutes, Leatherhead Food International, and to visit Switzerland for three months to learn from Swiss chocolatier, Laderach, one of the finest chocolate makers in the world. After forging a relationship with Protea Breakwater Lodge in Cape Town, supplying the hotel with chocolate, she never looked back.

'Between the Protea contract and the Academy, in depth research showed that the Western Cape was a premium market for my product,' she recalls. Passion, ambition and perseverance are the qualities that define Mchunu. 'A new business cannot survive, no matter how brilliant the service or product, if the owner is not in it 110%'

Questions

1. Discuss the personal qualities or characteristics exhibited by Ms. Mchunu that probably led to the success of her entrepreneurial endeavour. (20 marks)
2. What advice would you give her in expanding her business venture? (10 marks)
3. Discuss Mr. Mchunu's risk appetite as evidenced by her decisions as she attempted to establish the business. To what extent is she a risk taker? Give reasons for your response. (10 marks)

SECTION B

Question 1

It is essential to calculate your expected market share as accurately as possible, as this will give you the information needed to calculate the business potential income. The calculation of potential income enables one to determine the business financial viability. Determining the market potential and target market are some of the actions necessary to establish a market share. When analyzing the market, one must divide it into various market segments. Identify the various categories of market segments and discuss the questions one needs to ask and respond to for each category. (20 marks)

Question 2

In order to deliver the business product or service, the entrepreneur needs raw material and other resources. This is the responsibility of the purchasing function. The purchasing function must be based on objectives that form the fundamental principles around which the activities of the purchasing function are organized. List and explain the broad long term objectives of the purchasing function. (20 marks)

Question 3

In order to ascertain the viability of a business, it is essential to calculate potential income. To do this, one needs to first determine the selling price of the products or services. The selling price is normally based on the cost of producing each unit of ones products. Calculating the total costs per unit it is important to classify them into variable, fixed, direct and indirect costs. Use examples to define these types of costs, and another example to demonstrate how they are used to calculate the total cost per unit. (20 marks)

Question 4

As an entrepreneur you should know that your business can not exist in isolation. Its activities are influenced by certain controllable and non controllable variables. These variables occur in the environment in which the business operates and can present opportunities or threats to the business. The external environment of a business consists of the market and macro environments. Discuss the kinds of markets that can be found in the market environment and the forces or variables found in the macro environment. (20 marks)