



Strathmore
UNIVERSITY

STRATHMORE UNIVERSITY
FACULTY OF INFORMATION TECHNOLOGY
END OF SEMESTER EXAMINATION
MST 8301: IT ENTREPRENEURSHIP

DATE: 1st October 2019

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

The business plan, although it is often criticized as being “dreams of glory,” is probably the single most important document to the entrepreneur at the start-up stage. Potential investors are not likely to consider investing in a new venture until the business plan has been completed. In addition, the business plan helps the entrepreneur maintain perspective as to what needs to be accomplished and states the goals and objectives being pursued. The development and preparation of a business plan can entail many obstacles and takes a strong commitment by an entrepreneur before it can actually be completed and then implemented. No one knows this better than Belinda Guadarrama, the president and CEO of GC Micro Corporation. Her company supplies computer hardware and software to Fortune 1000 companies as well as the defense and aerospace industry.

As the entrepreneur of this now multi-million-dollar company, Belinda has been recognized by two Hispanic organizations—the U.S. Hispanic Chamber of Commerce and the Latin Business Association—as Hispanic Businesswoman of the year 2002. She also was runner-up for National Small Business Person of the year and her firm has been ranked among the 500 largest Hispanic-owned companies. Although today she is a successful entrepreneur, the journey was a long and arduous process with a number of highs and lows. After graduating from Trinity University and taking a number of graduate courses at the University of Texas at Austin, she began working for the Texas attorney general as the director of personnel and training. She later moved to California during the 1980s technology boom to work for a mail order software company. Like many others

she arrived at work one day to find a note on the door indicating that the business was closed. At that point Belinda made the decision to start her own business.

She felt it was a great time to take some risk since she had no job and prospects. In 1986 with a few former co-workers, she launched GC Micro Corporation. To raise initial capital and money for other expenses while a business plan was being developed, she sold her house and cashed in her retirement money. She made a conscious decision at this point to put everything on the line. Eventually, with business plan in hand she began knocking on doors to try to raise money for the start-up. It was then that she began to face some of the lows in the entrepreneurial process as she incurred one rejection after another. She could not even get a bank to lend her \$5,000 to keep going. Fortunately she persisted until she came upon the Small Business Administration (SBA) loan program that guarantees a large percentage of a loan through a local participating bank. After submitting her plan through this program, she received her first loan from a local bank.

Raising the start-up capital was only one of the early obstacles that she overcame. Being a woman and a Latina she had to overcome many negative stereotypes. In one meeting with a potential client she was told that as a minority woman she did not have sufficient management qualifications to represent its product line and was hence turned down. However, her hard work and persistence paid off and at the end of the first year of business the company attained revenue of \$209,000. With this success, the client that had turned her down changed its mind and she became an authorized dealer for its products. Other success followed and soon she was pursuing contracts with the US. Department of Defense. In researching this market, she discovered that many government contractors are required to include a percentage of minority-owned businesses as sub contractors. She also discovered that there were not enough minority-owned businesses, presenting great opportunities for her venture.

However, as she continued to investigate her opportunities she found she was blocked from records to which she had previously had access. She decided to pursue this in court, knowing that this could put her entire business on the line. Subsequently the case *GC Micro Corporation v. Defense Logistics Agency* reached the courts and then dragged on for several years. During this time her business was in jeopardy since many companies stated would no longer work with her. Eventually she won her case. Her reputation as someone not afraid to take a stand and with strong leadership skills spread throughout the industry.

The company has become one of the few just-in-time (JIT) system contract suppliers. In 2003 the company received the JIT Supplier Partnership Award. Guadarrama's entrepreneurial skills have

also spilled over to civil minded activities, supporting such programs as the California Latino-Chicano High School Drop-Out Prevention Program, the Canal Community Alliance, the Ochoa Migrant Farm Workers I and the Gilroy YMCA. Belinda's success is a tribute to her strong entrepreneurial character. She was not afraid of the hard work required to plan her business—she was not afraid to stand up for what she felt was right. Her commitment to community has made her an inspiration to many other Hispanic businessmen and women. GC Micro Corporation now has 14 warehouses across the U.S., representing inventory of more than 280,000 products valued at more than \$2 billion. The fruits of Belinda's successful business plan now include authorized dealer partnerships with many Fortune 500 companies such as Apple, Cisco, Gateway, Hewlett-Packard, IBM, Microsoft, Sun Microsystems and Toshiba.

Adapted from "Entrepreneurship, Hisrich Robert et al. McGraw-Hill, 2005"

Question One

a) The business plan, although it is often criticized as being "dreams of glory," is probably the single most important document to the entrepreneur at the start-up stage. Comment on the statement **(10 marks)**.

b) Explain the characteristics of a successful entrepreneur according to the case study above. **(5 marks)**

c) Discuss the opportunities and challenges presented in the case study. **(5 marks)**

Total 20 marks.

Question Two

a) You intend to invest in an IT business and are concerned about the risks that are associated with the staff themselves. Explain how you would mitigate against such risks.

(10 marks)

b) Juma intends to extend his business operations into a foreign country. Explain the macroenvironmental factors that he should be aware of

(10 marks).

Total 20 marks.

Question Three

a) Alice an IT investor is in the process of choosing a source of finance. Explain to her the factors that she should consider in selecting the source of finance. **(10 marks)**

b).Having a good product or service offering is not sufficient for a business success. A marketing plan is equally important. Explain how the marketing plan should be designed
(10 marks)

Total 20 marks.

Question Four

(a)You are the owner of Sunlight Ltd a newly established IT company. Explain the steps you would take to encourage prompt payment of invoices. **(10 marks)**

(b) You intend to start an IT business. Explain the sources you would turn to for business ideas.
(10 marks)

Total 20 marks

Question Five

a)Juma who owns an IT company is concerned about exit strategies that he can adopt for his business.Advise him.
(10 marks)

b) Though entrepreneurs are supposed to comply with ethical standards, this is not all ways the case. Explain this statement giving suitable examples.

(10 marks)

Total 20 marks.