



Strathmore
UNIVERSITY

STRATHMORE BUSINESS SCHOOL

MASTER OF SCIENCE IN DEVELOPMENT FINANCE

END OF SEMESTER EXAMINATION

MDF 8102: ENTREPRENEURSHIP AND INNOVATION

Date: Tuesday 6th December 2022

Time: 3 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **QUESTION ONE** and **ANY OTHER THREE** questions.

Question 1 – Compulsory (30 Marks)

- a) **Read the case titled:** Kamoriongo Poultry Co-operative Project and answer the questions that follow:
- i) Describe the business environment in Eldoret. **(6 marks)**
 - ii) Do Beetes and Kamoriongo have the necessary resources and capabilities to succeed? **(6 marks)**
 - iii) Analyze both opportunities of a wooden shelter and an incubator from a qualitative standpoint. What should Beetes do? **(6 marks)**
 - iv) How should the co-operative finance these investment opportunities? What are some important considerations? **(6 marks)**
 - v) What are the potential risks of each opportunity? How can the co-operative mitigate these risks? **(6 marks)**

Question 2 (15 Marks)

Family businesses are a very pervasive form of business with some of the largest businesses globally being family owned and managed. However, a good number of these businesses are faced by internal problems emanating from the family dynamics. It is also common for family businesses collapsing with the exit of the founder generation from the business or many of them maintaining a narrow product line even when the business environment has shifted. On the other hand, studies show that family-owned firms outperform purely private firms during an economic downturn. Illustrating your responses from a family business that you are familiar with:

- a) Discuss with reference to four characteristics of a family business why they may perform better during an economic downturn. **(8 marks)**
- b) Demonstrate how that business can apply intensive growth strategies. **(7 marks)**

Question 3 (15 Marks)

- a) Suthasinee used to work in a factory in Thailand making clothes for Nike, Adidas and the Gap. She earned £2.80 for a basic eight-hour day, £4.30 with three hours' overtime. Eleven-hour days were normal, six days a week, and at peak times she regularly worked until midnight. The factory is hot inside, the fire exits are often blocked, and workers have to buy food in the factory's dirty canteen. The managers shout at the workers to work harder and faster. Because workers have to work so quickly, accidents are quite common – sewing machine needles through fingers or metal splinters in the eyes. When workers get home from work in the evening, they are exhausted. They eat, watch TV and sleep. Suthasinee shared a small room with two other workers and spent about a third of her wage on rent. She couldn't really afford to go out – a cinema ticket costs £1.50 (over half a day's basic wage). Suthasinee would have had to spend more than a week's wage to buy one of the shirts she made (they sell for more than £30 here in the UK). Suthasinee took a stand against their poor working conditions ... she was fired.

Required

(7 marks)

- i) From the story discuss how Suthasinee's rights are being denied.
 - ii) Should consumers choose a brand based on how the company treats the workers who make the products? Why or why not?
 - iii) What action you could take to improve the rights of workers like Suthasinee?
- b) You are the Chief Executive Officer (CEO) of Mobile Money (MM)Ltd., a medium sized microfinance company. As part of your expansion strategy, you considering raising additional capital for expansion through venture capital. Explain to the Management **four** advantages of raising capital through venture capital. **(8 marks)**

Question 4 (15 Marks)

Entrepreneurship is the result of the interaction and assimilation of different social and environmental factors. These factors may emanate from within or without the venture. An entrepreneur must therefore be alert to exploit the external factors and foster an internal environment that encourages creativity and innovation. With the aid of a venture that you consider entrepreneurial:

- a) Show how the entrepreneurial ecosystem has contributed to the success of that venture **(10 marks)**
- b) Illustrate with the aid of five measures how the entrepreneur in that venture has fostered a creative environment within the venture **(5 marks)**

Question 5 (15 Marks)

Mr. K. Vivekanandan of Coimbatore (Tamil Nadu) invested Rs. 800,000 and created a 3 HP (horsepower) pin pulverizer for grinding chilli and coriander. "The machine is an ideal revenue generator for rural women who are interested in increasing their domestic income," says Mr. Vivekanandan. Most of the existing machines to grind chilli and coriander require high installation costs and use a lot of power making it unsuitable for rural areas, where power supply may also be undependable.

Mr. Vivekanandan thought he solved 90 per cent of the grinding problem when he developed the machine and manufactured nearly 100 of them. But to his dismay he found that only 20 pieces found buyers. Some of the buyers returned the machine, because the chilli and coriander did not pass through the filter screen and created too much dust while grinding. Work came to a standstill and did not resume for almost a year.

Mr. Vivekanandan came to know about Villgro (an organization that supports rural entrepreneurs) and he approached them for guidance. The staff at Villgro tapped different resources to work on this problem. Technical expertise first assisted Mr. Vivekanandan in producing a 1 HP, single phase machine, because the machine could not initially run at a speed on 3 HP. (In rural areas the preference is for a one- HP, single-phase machine due to voltage fluctuation).

After several trials they identified the problem of chilli and coriander getting stuck on the screen was not because of their high fibre content, but due to the speed of the rotor. Accordingly, the weight of the machine was reduced, its wall thickness, size, and diameter of the stator and rotor altered to suit rural application. Mr. Vivekanandan brought down the cost of the machine to cater to rural needs by focusing on the types and amount of materials used. Each unit is priced at Rs. 11,500 (with motor).

- a) The business concept is always the starting point in designing the business model. Discuss the business concept envisaged in the above excerpt **(8 marks)**
- b) What is a feasibility analysis and how would Mr. Vivekanandan have benefited from a feasibility analysis of the business concept before commercialization **(7 marks)**