



**STRATHMORE INSTITUTE OF MANAGEMENT AND TECHNOLOGY  
DIPLOMA IN ENTREPRENEURSHIP  
END OF SEMESTER EXAMINATION  
UNIT CODE:1305 STRATEGIES FOR SCALING UP BUSINESS**

**DATE:** 31<sup>st</sup> August 2022

**TIME:** 2 HOURS.

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**Instructions**

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

**QUESTION ONE. (30 Marks)**

**To grow or not to grow is the question.**

Adina is the founder of a company making all-natural skin care products. The business has attracted many customers, and she is contemplating her next steps.

Adina has had conversations with investment teams who are enthusiastic about the company and want to invest. She faces a dilemma of either raising capital from investors or growing organically using the business's cash.

Overgrowing would be nice, but it would require offering investors equity that further dilutes Adina's ownership share and, thus, reduces her control over the business. Growing more slowly means that she keeps more of the company and maintains control but perhaps misses out on essential opportunities to grow the business. Adina and her cofounder husband are constantly debating this issue.

*Entrepreneur magazine. April 9th, 2015. <http://www.entrepreneur.com/article/244860>.*

- a) If Adina raises equity capital and rapidly grows the business, what are the effects of her decision on business growth goals **(4Marks)**
- b) If Adina is planning to sell products in foreign markets. Discuss four approaches to selling products in the foreign market **(8Marks)**
- c) Explain three approaches she can use to grow her business using the market penetration strategy **(6Marks)**
- d) Outline Four effects of business growth on resources and suggest ways of managing change to ensure sustainable business **(8Marks)**
- e) Suggest other sources of financial support she can obtain to grow the business. **(4Marks)**

## QUESTION TWO.

Royal dairy is a milk processing firm founded eight years ago intending to process daily products, mainly yoghurt, when the Kenyan market was ready to embrace the nutritional value of dairy products. The company processes fresh milk, cheese butter, and long-life milk. In 2017 the farm started dairy farming to produce milk to supply the processing plant

- a) Explain three benefits of starting a dairy farm as a source of milk supply. **(6 Marks)**.
- b) The current market for milk products is very competitive, illustrating three ways the business can compete **(6 Marks)**
- c) Outline three ways the business can apply market development strategy **(3 Marks)**

## QUESTION THREE.

Maya, a graduate of the school of hospitality, has started baking cakes and cookies at home; through advertising on her social media pages and referrals, her business is getting known and has many repeat customers with orders coming daily. Her major challenge is handling customer requests and deliveries. She has approached you for advice on how to manage business growth.

- a) Explain to her **five** ways she can grow her business and keep customers delighted. **(5Marks)**
- b) Explain **five** benefits of growing by forming strategic alliances and partnerships. **(5Marks)**
- c) Describe three significant growth constraints Maya may experience **(5Marks)**

## QUESTION FOUR.

Jane has started a business of growing flowers and carpet grass, targeting real estate developers for landscaping. She has added fruit trees and sold and stocks flower pots she buys from her supplier. She intends to make her business a one-stop shop for all flowers, fruits, and vegetable seedlings.

In a meeting with her consultants, she mentioned that vegetable seedlings are not selling as fast, and at times, they overgrow in seed beds leading to losses.

- a) Identify five types of resources Jane will require in growing the business. **(5Marks)**
- b) Advice Jane on five key factors to effective product development **(5marks)**
- c) Outline five reasons why products fail **(5 Marks)**

## QUESTION FIVE.

A happy event is a startup dealing in planning events for both corporate and individual customers. The company is known for planning events that create lasting customer memories.

- a) Describe Five steps that the company to grow by retaining customers. **(10Marks)**
- b) State five ways a business can grow by creating product differentiation strategies. **(5Marks)**