



STRATHMORE INSTITUTE OF MANAGEMENT AND TECHNOLOGY
DIPLOMA ENTREPRENEURSHIP AND BUSINESS CREATION
END OF SEMESTER EXAMINATION
DE 1305: STRATEGIES FOR SCALING A BUSINESS

DATE: 14th May 2021

Special EXAM

TIME 2 HOURS

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 (Question ONE (COMPULSORY))

To grow or not to grow is the question.

Adina Grigore , founder of S.W. Basics, a company that makes all natural and sustainable products for skin care contemplates what to do next with her company, including considerations about growth. The company is profitable, and she needs to decide the next phase for the company. Adina has had conversations with investment teams who are enthusiastic about the company and want to invest.

While the company cashflow is right She faces a dilemma of either raise additional capital to grow rapidly or continue to grow more slowly using cash generated by the business.

Growing rapidly 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 business and maintains control but is perhaps missing out on important 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) Should she raise equity capital and rapidly grow the business, or should she grow more slowly and maintain ownership and control? (4 Marks)
- b) Explains why some entrepreneurs choose to grow rapidly and others more slowly under these conditions? (4Marks)
- c) Are there other options for funding growth that do not dilute equity and, therefore, would help her maintain control? (6marks)

- d) Using examples, describe five measures of managing implications of growth (10Marks)
- e) Explain to the founder external growth strategies that can be applied to scale the business (6Marks)

Question Two.

Ndume, a dairy processing farm in Kiambu county was founded 8years ago with the intention of processing daily products mainly yogurt at a time when the Kenyan market was ready to embrace nutritional value of dairy products. the company has grown to start processing fresh milk, cheese butter, long life milk, among others.

In 2017 the farm started a daily farm to produce milk to supply the processing plant, recently the farm has started farming Hass avocados for export together with bananas.

As an expert in business growth strategies, advice the founder on how to apply the following growth strategies.

- a) Market development (5Marks)
- b) Product development (5marks)
- c) Diversification (5marks)

Question three

Maya, a graduate from 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 a large number of happy customers with orders coming on dairy basis . Her major challenge is handling customer requests and deliveries. She has approached you for advice on how to scale the business.

- a) Explain to her five ways she can grow her business and keep customers delighted. (8marks)
- b) Explain four benefits of growing by going global. (7Marks)

Question Four.

A fintech company operating in Kenya intends to grow and be a market leader.

- a) Explain to the founders five sources of competitive advantage. (10Marks)
- b) Outline five factors to consider when creating a competitive advantage (5Marks)

Question Five

Happy event is a startup dealing in planning events for both corporate and individual customers the company is known for planning events that creates lasting memories to their customers.

- a) Describe Five steps that the company to grow by retaining customers. (10Marks)
- b) Illustrate Two ways a business can grow by creating products differentiation strategies. (5Marks)