

UNIVERSITY OF FORT HARE

ENTREPRENEURSHIP & SMALL BUSINESS MANAGEMENT

BEC517

DEGREE EXAMINATIONS QUESTION PAPER

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Time: 3 Hours

Subject: BEC517

Marks: 100

**This paper consists of 5 pages including the
cover page**

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INSTRUCTIONS

Answer Question 1 in Section A, and any three questions in Section B.

This question paper consists of 5 pages including the cover page.

SECTION A: COMPULSORY

Case study 1: Born from poverty

Ruben Mwape comes from a very poor background. His parents are elderly and have financially sustained a large, extended family for many years. However, Ruben's parents can no longer provide because of their age and for health reasons.

Ruben's father, Moses, always used to tell him, the eldest son, that if you can work with your hands, you will never be hungry. This advice, and his personal circumstances, gave rise to Ruben searching for a 'hands-on' type of work. Ruben could not pick and choose because he very urgently needed work to feed his family, and because he had only a very basic education. He was unskilled, and work was therefore scarce.

At his father's direction he applied to all tyre and wheel fitment centres, or franchises, in the area, as a general worker and cleaner. One fitment franchise gave Ruben a part-time 'piece job' as workshop cleaner. He was asked to show up for work three days a week, for 3 hours per day. He received a daily wage of R110. This helped a great deal towards feeding his family.

Ruben gave cleaning his all. Even though he was responsible only for cleaning the workshop, he took the initiative to clean all the equipment and tools. When his shift was done, he would stay on for longer, without pay, to observe the fitment artisans. He assisted them with some basic tasks. Within a few weeks Ruben was skilled in tyre and wheel fitment. The owner-manager of the franchise could not but notice Ruben's enthusiasm, and the extra tasks he voluntarily performed. The owner granted Ruben the opportunity to attend the mandatory franchise fitment training, and offered him a job as a junior artisan provided he passed the assessment, becoming an artisan accredited by the franchisor. Ruben passed, coming first in class, and proudly assumed his new role.

In as little as a year, Ruben advanced from junior fitment artisan to franchise accredited wheel alignment technician. The following year he worked in sales, procurement, finance and administration, and training. He gained experience in most parts of the business.

In the first quarter of his third year with the franchise, Ruben successfully completed the fitment centre supervisor programme, including the practical on-the-job training required. He was appointed as centre supervisor responsible for procurement, operations, quality control, sales desk, and sales administration, as well as on-the-job training. During his first six months in his new position, he enrolled for an 'Introduction to business management' certificate at a local college, sponsored in part by the franchise. At the end of the same year, Ruben qualified with distinction. During his studies he worked alongside the franchise owner-manager and got exposure to procurement negotiations and contracting, accounting and cost management, pricing strategy, franchisor-franchisee relations, and community projects sponsored by the franchise. The learning curve was steep, and invaluable. In five years, Ruben became competent in managing the fitment centre from start to finish. This was an exceptional achievement for someone who started as an unskilled general worker.

The owner-manager, with a new partner, decided to invest in four more fitment centres in the same province. Ruben was appointed as general manager overseeing the five centres. Within 16 months Ruben was able, through hard and dedicated work, to turn four new franchises into profitable and sustainable businesses, and to earn a middle management certificate at a local university, which he paid for in full.

At the year-end function which also served as a celebration of outstanding results, the two owners asked Ruben about his future. Ruben replied: 'My dream is to become an owner.'

Question 1: Compulsory

- a. Based on information provided in case study 1, does Ruben have the characteristics of an entrepreneur? Motivate your answer and describe the characteristics of successful entrepreneurs. [15]

- b. Based on information provided in case study 1,
 - i. define an entrepreneurial mindset [1].
 - ii. does Ruben have an entrepreneurial mindset to succeed as a business owner? Explain your answer. [9]

SECTION B: Answer any three Questions in this section

Question 2

- a. Based on information in Case Study 1, some people in Ruben's position are afraid to start businesses because of the challenges that they may face during the start-up stage. Discuss the challenges that Ruben may face during the start-up stage of his business if he decides to start his own. [15]

- b. If Ruben decides to start his own business, he may need to draw up a business plan. Advise Ruben on the problems associated with business plans. [10]

Question 3

- a. Based on information in Case Study 1 (also used for question 1), Ruben may consider starting his own business. Advise Ruben on the factors that he should consider when choosing the type of business ownership. [15]

- b. Advise Ruben on why it is not always good to use consultants when preparing business plans. [10]

Question 4

- a. Discuss the purpose of preparing a business plan and advise on the main contents of this document. [25]

Question 5

- a. Based on information in case study 1, Ruben may need to be aware of the harvesting options that will be available to him as he considers venturing into business. Advise Ruben on (i) the reasons for harvesting a business and (ii) the harvesting options available for entrepreneurs. [25]

Question 6

- a. Based on information in Case Study 1, Ruben as a prospective franchisee, should familiarise himself with the various franchise models that exist within South Africa before he starts looking at specific opportunities and investigate their advantages and disadvantages. Describe any five franchise models that Ruben can consider. [15]
- b. Describe any five external sources of finance that can be considered by entrepreneurs or small business owners. [10]

Total 100 Marks