



University of Fort Hare  
*Together in Excellence*

**DEPARTMENT OF BUSINESS MANAGEMENT**  
**B.COM HONOURS**  
**NOVEMBER 2017**

**ENTREPRENEURSHIP AND**  
**SMALL BUSINESS MANAGEMENT**  
**CODE: BEC 527**

MARKS: 100

TIME: 3 HOURS

This paper consists of **8 pages** (including the cover page)

**INTERNAL EXAMINERS:**

Mr B D Jordaan

**EXTERNAL EXAMINER**

Prof M Roberts-Lombard

**INSTRUCTIONS**

- Answer the **COMPULSORY** question in **Section A**.
- Select any **THREE** of the **FOUR** questions in **Section B** to answer.
- **READ** and **INTERPRET** the questions carefully and present your answers in a **LOGICAL** way.
- Write **ALL** answers in a **LEGIBLE** handwriting.
- Where possible, make use of **Examples** as illustration.

## **SECTION A: QUESTION 1 (COMPULSORY)**

**WITH THE CASE STUDY AS BACKGROUND AND INSIGHT FROM THE PROGRAMME, ANSWER THE QUESTIONS THAT FOLLOW:**



Automotive Industry Development Centre Eastern Cape SOC Ltd  
Trade Partnerships • Skills Training • Community Development

**MEDIA RELEASE**  
**10 February 2016**

### **AUTOMOTIVE INCUBATOR OPENS IN MDANTSANE**

*With potential to facilitate township revitalisation, a first of its kind, automotive aftermarket incubator opened for business in Fort Jackson, Mdantsane in Buffalo City Municipal area yesterday (Tues 9 February).*

*With the partnership of big automotive aftermarket brands, including Powertech Batteries, Sharwoods Tyres, Universal Safety Glass and Grandmark Glass, the incubator has equipped and trained entrepreneurs and their new staff to service customers in one of South Africa's largest townships.*

*Additional businesses will also be added to the 700sqm facility, making the incubator a quality and accessible hub for automotive glass, battery and tyre sales and repairs.*

*The Automotive Industry Development Centre in the Eastern Cape (AIDC) says the incubator is not only servicing a growing robust and economically viable market, but will develop the economy within Mdantsane, where formal business development has lagged.*

*Considered to be the first incubator of its kind in the country, it is being established by the Automotive Industry Development Centre (AIDC), Eastern Cape - an agency of the Eastern Cape Development Corporation in partnership with Buffalo City Municipality and the Eastern Cape Province.*

*AIDC Eastern Cape acting CEO, Gordon Brink says the incubator, which also includes a food kiosk was a "stunning model for true public private partnership."*

*"Powertech Batteries, Sharwoods tyres and other brands are investing into community with the prospect of later returns while the AIDC Eastern Cape, on behalf of the Eastern Cape government, has developed a vacant mini warehouse for the five businesses that would operate from the location and will mentor and support the entrepreneurs in their new businesses to ensure sustainability."*

*AIDC Eastern Cape Project Director Fred Weatherall-Thomas said the level of support in areas such as financial controls and procedures, procurement, stock taking, marketing and compliance with respect to company and tax laws were "essential for long term success."*

*"The idea is that after three years of trading the new businesses will stand on their own, with the resources provided to them now released to assist in the creation of other new businesses," Weatherall-Thomas said.*

*Brink said the AIDC EC sought to replicate the incubator model in other Eastern Cape Towns "as a means of tangible and sustainable job creation, skills development and socio-economic development in under-developed areas, which are government priorities."*

*Powertech Batteries Regional Manager Steven Venter said the Fort Jackson outlet would cater for "all requirements in automotive battery market, but envisaged the bulk of the trade will emanate from the large taxi sector."*

*Venter said Powertech Batteries will support the incubator with the right to trade with their brand, state of the art technology for battery testing and charging as well as support with training and promotions.*

*Sharwoods Director, Richard Sharwood, whose outlets account for a dominant share of the Nelson Mandela Bay tyre market said the company "consider it good business practice to contribute to socio-economic development, while extending its brand."*

*"The tyre centre at the incubator will employ current technologies and best practice operations to ensure a satisfactory level of service and quality product for a wide range of vehicles," Sharwood said.*

*Speaking at the launch, Buffalo City Executive Mayor Alfred Mtsi, said the project was part of the Metro's responsibility to create an environment conducive to economic growth.*

*"The incubator's launch co-incides with the recent Growth and Development Strategy Summit where commitments were made to contribute to economic growth for the benefit of citizens.*

*Referring to the previous derelict state of the building, which now proudly houses the businesses, Mtsi said the development was the "beginning of more things to come."*

*"The dream to revitalise old buildings and business in our towns can come to fruition."*

*"Well managed incubators are the best tools to create sustainable jobs and develop SMEs which are critical in diversifying the economy, creating competition in the marketplace and lowering consumer prices," he said.*

*Mtsi hailed the occasion as a "special moment for those who are interested in the economic growth of the city. We are aware of the challenges but inspired by the potential."*

- 1.1 Describe and outline the **purpose and benefits of SME incubators.** (10)
- 1.2 Provide *the AIDC with managerial advice* as to how such an incubator should be **managed and administered.** (8)
- 1.3 Discuss the **role that large corporates play in the establishment** of such incubators. (7)

**(25 Marks)**

## **SECTION B: ANSWER ANY THREE QUESTIONS**

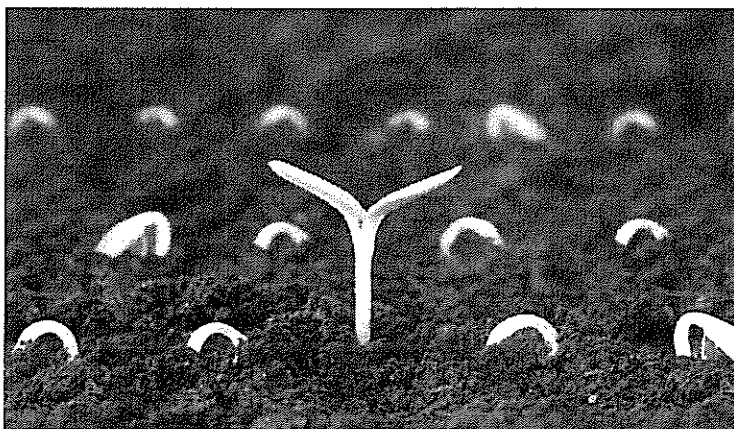
### **QUESTION TWO**

**SME** SouthAfrica  
A JOURNALS TO THE SUCCESS

#### **De Beers Partners with Stanford Graduate School of Business to Empower Youth & Entrepreneurs in Southern Africa.**

Business owners in Botswana, Namibia and South Africa to benefit

**BY STAFF WRITER - Published: 17 Aug, 2017**



De Beers Group announced a US\$3 million investment in a three-year partnership with Stanford Graduate School of Business (GSB) to empower young, aspiring entrepreneurs and established business owners in Botswana, Namibia and South Africa. In partnership with De Beers, the Stanford GSB will launch two programmes in 2018:

#### **Seed Transformation Program**

The Stanford Seed Transformation Program is a year-long leadership programme, taught by Stanford GSB faculty and Seed-trained local facilitators. The programme will provide management training, leadership team workshops and networking support to assist Southern African leaders to grow their businesses, create jobs and help lead their regions to greater economic diversity and prosperity. The programme will be open to established business owners in Botswana, Namibia and South Africa.

#### **Stanford Go-To-Market**

Stanford Go-To-Market is an intensive, one-week entrepreneurship boot camp, taught by Stanford GSB faculty. Through a combination of lectures, case studies, and small-group discussions, it will help budding entrepreneurs gain the confidence and skills to commercialise their business ideas and accelerate their route to market. Initially running in Botswana, the programme may expand to include participants from other Southern African countries once fully established. The partnership will be in collaboration with a range of Government entities in Botswana, including the Botswana Innovation Hub and the Ministry of Tertiary Education.

Bruce Cleaver, CEO De Beers Group, said: "Economic diversification and youth employment opportunities are priorities for our government partners and are priorities for De Beers Group as well. We all believe these two programmes, in partnership with a world-renowned educational institution, have excellent potential to help accelerate diversification and stimulate more opportunities for young and ambitious Southern Africans."

Jesper Sørensen, Professor of Organisational Behaviour at Stanford Graduate School of Business and Faculty Director of Stanford Seed, said: "We are excited to work with the young and established entrepreneurs in the Southern African region through this collaboration.

As with our experiences in East and West Africa, we are coming to learn as much as we are to teach. If the business and job growth that follows matches what we are seeing in our other locations, I anticipate this will be a very impactful initiative."

The Stanford Seed Transformation Programme, Southern Africa, will begin in January 2018.



**Answer the following questions:**

*"A major ongoing debate in academic circles is whether entrepreneurship can be taught and learned. Entrepreneurship research is now strongly influenced by psychological variables and entrepreneurs are more and more conscious about this fact"*

Provide your views on the topic in the light of the intentions of programme 2, views of psychologists, academics in entrepreneurship as well as empirical findings. [In your argument, also keep in mind the unique characteristics identified within entrepreneurs]

**(25 Marks)**

**QUESTION THREE**

*Poor management is most frequently cited as one of the major reasons for SME failure. Empirical findings reveal that the causes of new SMEs are both internal and external. Internal factors include lack of management experience, lack of functional skills and poor staff training and development and poor attitudes towards customers (Fatoki O, Mediterranean Journal of Social Sciences, Sept 2014).*

Critically discuss the importance of three SME Operational aspects: Capacity Planning, Supplies and Purchasing Control, as well as Quality Control as cornerstones for the success of SMEs in South Africa.

**(25 Marks)**

## **QUESTION FOUR**

my salaam

### *How the world's first Emirati barista is going entrepreneurial*

18 September 2017

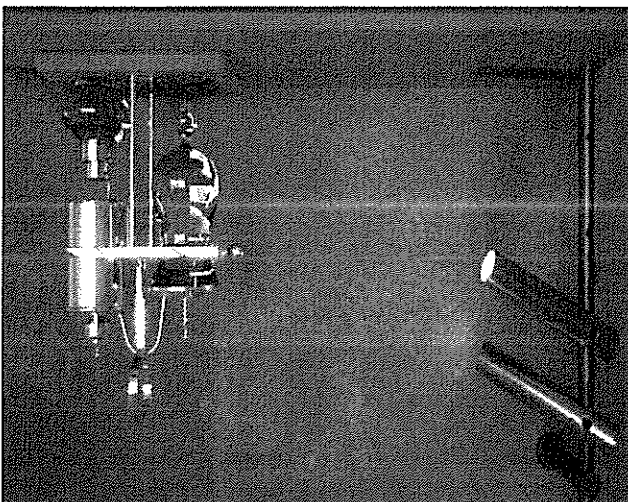
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**Ibrahim Al Mallouhi** can trace his love for coffee right back to his childhood. "I remember, as a child, I used to grind green coffee beans with my grandmother in her kitchen." While the passion may have been born then, he clearly didn't consider it enough: he went on to train as a barista in the American Barista & Coffee School, gaining the distinction of being the world's first Emirati barista in the process. He also spent several years teaching himself everything he could possibly learn about the beverage before bringing his dream of launching **The Espresso Lab** to life in 2015.

"My goal was to help people truly enjoy a cup of coffee, to create a community of people who share my deep passion, who seek the perfect cup of coffee," he told My Salaam. That goal seems well on its way to fulfilment with this month's opening of The Espresso Lab's flagship cafe and roastery in Dubai Design District (D3), replacing its earlier location in Jumeirah.

Al Mallouhi confesses that being based in D3 was always his goal, as he felt it was a prime location for an artisanal luxury brand such as The Espresso Lab, but when he first launched, the company simply wasn't big enough. However, as it has grown and developed a niche identity as a boutique brand specialising in specialty craft coffee sourced from plantations around the world, it's now a more obvious fit.



#### **FULL OF BEANS**

While his passion for coffee may have been lifelong, it was only in 2004 that this information security professional started seriously working towards his goal. He spent all his holidays travelling around the world to visit coffee farms and immersing himself in the world of coffee, topping off with an executive MBA in entrepreneurship and leadership from City University, London, in 2013.

While he still has his day job, he plans to devote himself full-time to his coffee business from next year. In fact, he considers his professional background invaluable to his start-up journey. "My current job helped me a lot. Among other things, it taught me to define any business around three main pillars:

people, process, technology. You have to articulate your business around these three things; you will always find a way then."

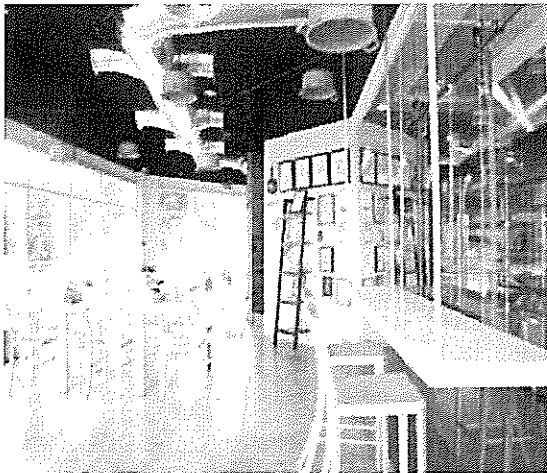


Strictly following corporate best-practices in a new venture wasn't easy, but it's one of the ways that he tries to make his brand unique amongst the flood of specialty coffee houses that have been opening in this region in recent years. For instance, he follows a rigorous hiring process; all baristas have to go through several internal examinations and tests (such as barista training certification, the art of making and serving coffee and knowledge of coffee types), yielding some very talented people who are, in turn, rewarded with a clear roadmap for career growth in the organisation.

Another example of how he uses corporate methodology is the painstaking implementation and documentation of exacting procedures for everything at The Espresso Lab, from the making and serving of coffee to business processes. He believes this contributes significantly to his long-term vision for the brand's growth. "Having templated procedures meant that the shift to a new, larger location has been seamless. And it has also laid the groundwork for future franchising opportunities," he said.

### **GOING GLOBAL**

Al Mallouhi says the brand is exactly where he intended it to be at this point in time, and his vision for the future is to take it international. "After our flagship opening in D3, I would like to expand into markets like the US and Japan. I have already trademarked it worldwide. It is a world-class luxury brand, and I'd like to see it sitting next to similar high-end artisan brands such as, say, Goyard or Aston Martin."



It is an ambitious goal for a self-funded start-up. "I took out a personal loan and got started," he said. "I know exactly what I want to do, and this makes it easy, as I don't have to be restricted by anyone else."

With this sort of single-minded clarity of vision, and passion for the product, he seems set to realise these

ambitions sooner rather than later.

*"The vital importance and positive contribution of entrepreneurship and an entrepreneurial culture in economic and social development cannot be overstated. Entrepreneurs are frequently thought of as national assets to be cultivated, motivated and remunerated to the greatest possible extent".*

Ibrahim Al Mallouhi seems to fit the narrative above perfectly. Critically evaluate the content of the article as well as the entrepreneurship characteristics displayed by Al Mallouhi against the theoretical and empirical evidence you have gained in the entrepreneurship programme.

## **QUESTION FIVE**

*Employees constitute a critical component of any SME. Unfortunately, this component often also determines the livelihood and long-term success as well as the profitability and sustainability of SMEs. SME management fail to get the ideal composition of employee development, employee relations, employee motivation and employee retention in concert.*

*A research report (Posted in SME issues August 2014) published jointly by Warwick Business School, University of Western Australia, the Commonwealth Scientific and the Industrial Research Organization found that job satisfaction is the key to a proactive workforce. "This research found a significant positive link between a worker's adaptivity and proactivity.*

*According to the study, if job satisfaction is low then employees quickly lose the will to go the extra mile. The research results also revealed that those employees with high levels of job satisfaction, remained proactive two years later, but those with low levels tailed off in terms of proactivity. "This research found a significant positive link between a worker's adaptivity and proactivity.*

*Commenting on the findings, Dr Strauss, who is part of the Organisation & Human Resources Management Group at Warwick Business School, said: "Proactivity is important for innovation and implementing organisational change. So it is important to sustain a proactive workforce and we have found that job satisfaction is important, not just as an instigator of proactivity, but as a force for maintaining momentum.*

*Those who fail to adapt to change seem to be less likely to initiate change in the future as they may see change as threatening and may lose confidence in their own ability to be proactive," Strauss said. "Irrespective of their past proactivity we found that employees' proactivity may decrease if they fail to adapt to change and that may impact on a company's performance and profitability."*

**Comment on the research findings and results of the study. In addition, also give a critical overview of the tasks of efficiency measurement, improvement of employee relations and staff performance appraisal.**

**(25 Marks)**

**E N D**

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