**GROUP 1 &3**

**Case Study**

The development and preparation of a business plan can entail many obstacles, and it takes a strong and committed entrepreneur to complete and implement it No one knows this better than Brenda Kituri the MD of Smart Uniforms company. Her company supplies uniforms to various organizations as well as some schools. Although today Brenda is a successful entrepreneur, the journey has been long and  
challenging with a number of high and low moments. After graduating from the prestigious university in the country with a degree in Design and textiles, she began working for a local textile manufacturer as a designer. She moved up the ladder and after only four years she became the Director design and training.  
Like many others she arrived at work one morning to find a note on the door indicating that the business had closed down and she was jobless.  
At this point Brenda made up her mind to start her own business. She took some risk and sold her house, and embarked on a business plan. Once it was complete, she tried using it to raise some startup capital, but being a woman she could not get any bank to lend her the shs 5 million that she needed. Many prospective clients also turned her away arguing that she did not have the sufficient capacity to service their orders.  
However, her persistence and hard work paid off, and by the end of the first year she had attained revenue of shs 2.9 million. Other successes followed and soon she was pursuing contracts with major companies. Her reputation for being independent minded and a strong leader spread through out the industry. Her entrepreneurial skills have spilled over to many people who have had a chance of working for her, and her commitment to her course has inspired many others. In the year 2006, she was voted as the Business woman of the year.

**Required**

1. After reading the above case what factors (both positive and negative) do you think affect women entrepreneurs? (10 marks)
2. Identify the key entrepreneurial characteristics that Brenda has, that have helped her to succeed. (5 marks)
3. Do you think Brenda made the right choice of a business opportunity? Support your answers by discussing the characteristics of a good business opportunity (5 marks)
4. Discuss the key factors that led Brenda into opting for self employment? (5 marks)
5. What are the likely challenges that Brenda is likely to face as a start-up entrepreneur?

**Group 2&4**

**QUESTION ONE: Read the case below and answer the questions based on it. (30 marks)**

1. At an age 30, Pauline is an employer. She takes pride in the fact that she is able to pursue a business line that is at odds with her academic background and turn her passion baking into a profitable business. A Computer Science graduate from Maseno University, Pauline is the Chief Executive Officer of Cakes Co. Ke. She started up with six permanent employees and two temporary staff.”I was certain that this was something that I wanted to do on a commercial scale, hence the decision to set up an online shop for my cakes”, she declared.  
   She was able to establish the business with a capital of sh. 15,000 that she got from her parents. Today, the business generates a monthly income of Sh.200, 000 on average. Although she had experience baking at home since she was 11 years old, Pauline started baking commercially in 2008 when she was a student at the University. Business at the University was good since she did not face any competition. ‘’Both the student and the lectures were happy with my cakes. They found it convenient to buy them from within the school, saving them the trouble of ordering from town”, she says.  
   A t the time she sold at least two cakes everyday at an average price of Sh. 800. According to her, this price was relatively lower than what was quoted by other bakers in town, handing her a business edge. Unlike her competitors, she did not have to worry about paying rent as she baked from her hostel room. In 2009, after graduating, she continued to bake from her parents’ house. However, last year, she moved her business to allow her customers easier access. This was also prompted by improved sales which had climbed from an average of 20 cakes a month to about 15 a week. The relocation meant that she had to start factoring costs like rent into the price of her cakes, and do it in such a way as not to scare away her customers. Like any successful business person, she consulted widely on how to take into account the extra Sh. 45,000 monthly rent without losing her clients. “with the new costs, prices had to go up but I made sure that whenever I introduced a new price, I explained to my customers the reasons for it”, she said. She also maintained the quality of her baking, which earned her customers loyalty. From the low of Sh.800 a cake when she first started, her products now cost as much as Sh. 26,000, depending on the size of the cake.  
   Her business has expanded to include bakery classes targeting chefs who want to get into baking, stay at home mothers with an interest in improving their skills, and individuals who want to venture in the world of commercial baking. The school, with a capacity of training eight people per class for two weeks, started in February this year and operates in the same building as the cake business. Pauline says that so far, some people have been trained. The course costs Sh. 12,000.  
   She is working on an online payment portal which will integrate the use of cards and mobile money payments systems to cater for her customers who prefer to pay online.

**Required:**

1. Identify and explain the qualities/characteristics of a successful entrepreneur that Pauline has exhibited in the above case. **(5 marks)**
2. A Theory is a system of ideas explaining something especially one based on general principles. Explain Pychodynamics theory of entrepreneurship and discuss its shortcomings. **(15 marks)**
3. Discuss the challenges that Pauline might encounter in operating her cake baking business. **(5 marks)**
4. Suggest ways in which Pauline can cope with competition for expansion and survival of her businesses. **(5 marks)**

**Group 5&7**

# Arthur Andersen case Study

**Introduction**

Arthur Andersen LLP, based in Chicago, was once one of the "Big Five" accounting firms (the other four being PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG), performing auditing, tax, and consulting services for large corporations.

In 2002, the firm voluntarily surrendered its licenses to practice as Certified Public Accountants in the U.S. pending the result of prosecution by the Department of Justice over the firm's handling of the auditing of Enron, the energy corporation, resulting in the loss of 85,000 jobs.

Arthur Andersen (1885-1947) - In 1913, Arthur Andersen and Clarence Delaney, both from Price Waterhouse, bought out The Audit Company of Illinois to form Andersen, Delaney & Co which became Arthur Andersen & Co. in 1918. Andersen Consulting split from the parent in 1989 to become the largest consulting firm in the world, and it was renamed Accenture on 01 Jan 2001.

Arthur Andersen's first client was the Joseph Schlitz Brewing Company, a beer maker in Milwaukee.

The son of a Norwegian immigrant, Andersen was left on his own at the age of 16 after the death of his parents. He worked during the day as a mailboy and attended school at night. Eventually he was hired as the assistant to the controller of Allis-Chalmers in Chicago where he became intrigued with the work of independent public accountants.

He received a degree as a certified public accountant at the University of Illinois in 1908; at age 23 he was the youngest CPA in Illinois. In 1917, after attending courses at night while working full time, he graduated from the Kellogg School at Northwestern University with a bachelor's degree in business.

He worked for an accounting firm in Chicago and as a controller for the Schlitz Brewing Co. in Milwaukee. In 1913 at the age of 28, he entered into business for himself under the firm name of Arthur Andersen & Co. In 1915, due to his many contacts there, the Milwaukee office was opened as the firm's second office. From 1912-22, he was a professor of accounting at Northwestern University where he was the first to design courses that forced accounting students to deal with practical operating problems of business organizations.

Andersen had an unwavering faith in education as the basis upon which the new profession of accounting should be developed. He created the profession's first centralized training program and believed in training during normal working hours. He was generous in his commitment to aiding educational, civic and charitable organizations. In 1927, he was elected to the Board of Trustees of Northwestern University and served as its president from 1930 to 1932. He was also chairman of the board of certified public accountant examiners of Illinois.

**Reputation**

Andersen, who headed the firm until his death in 1947, was a zealous supporter of high standards in the accounting industry. A stickler for honesty, he argued that accountants' responsibility was to investors, not their clients. During the early years, it is reputed that Andersen was approached by an executive from a local rail utility to sign off on accounts containing flawed accounting, or else face the loss of a major client. Andersen refused in no uncertain terms, replying that he would not sign the accounts "for all the money in America." Leonard Spacek, who succeeded Andersen at the founder's death, continued this emphasis on honesty. For many years, Andersen's motto was "Think straight, talk straight."

Andersen also led the way in a number of areas of accounting standards. Being among the first to identify a possible sub-prime bust, Andersen dissociated itself from a number of clients in the 1970s. Later, with the emergence of stock options as a form of compensation (which became particularly prevalent in the late-1990s), Andersen was the first of the major accountancy firms to propose to the FASB that stock options should be expensed, thus impacting on net profit just as cash compensation would.

By the 1980s, standards throughout the industry fell as accountancy firms struggled to balance their commitment to audit independence against the desire to grow their burgeoning consultancy practices. Having established a reputation for IT consultancy in the 1980s, Andersen was no exception. The firm rapidly expanded its consultancy practice to the point where the bulk of its revenues were derived from such engagements, while audit partners were continually encouraged to seek out opportunities for consulting fees from existing audit clients.

By the late-1990s, Andersen had succeeded in tripling the per-share revenues of its partners. Predictably, Andersen struggled to balance the need to maintain its faithfulness to accounting standards with its clients' desire to maximize profits, particularly in the era of quarterly earnings reports. Andersen has been alleged to have been involved in the fraudulent accounting and auditing of Sunbeam Products, Waste Management, Inc., Asia Pulp and Paper, and the Baptist Foundation of Arizona, WorldCom, as well as the infamous Enron case, among others.

**Andersen Consulting**

The consulting wing of the firm became increasingly important during the 1970s and 1980s, growing at a much faster rate than the more established accounting, auditing, and tax practice. This disproportionate growth, and the consulting division partners' belief that they were not garnering their fair share of firm profits, created increasing friction between the two divisions.

In 1989, Arthur Andersen and Andersen Consulting became separate units of Andersen Worldwide. Andersen increased its use of accounting services as a springboard to sign up clients for Andersen Consulting's more lucrative business.

The two businesses spent most of the 1990s in a bitter dispute. Andersen Consulting saw a huge surge in profits during the decade. However, the consultants continued to resent transfer payments they were required to make to Arthur Andersen. In August 2000 the conclusion of the International Chamber of Commerce granted Andersen Consulting its independence from Arthur Andersen, but awarded the $1.2 billion in past payments (held in escrow pending the ruling) to Arthur Andersen, and declared that Andersen Consulting could no longer use the Andersen name. As a result Andersen Consulting changed its name to Accenture on New Year's Day 2001.

Perhaps most telling about who had "won" the decision was that four hours after the arbitrator made his ruling, Arthur Andersen CEO Jim Wadia suddenly resigned. Industry analysts and business school professors alike viewed the event as a complete victory for Andersen Consulting [2]. Jim Wadia would provide insight on his resignation years later at a Harvard Business school case activity about the split. It turned out that the Arthur Andersen board passed a resolution saying he had to resign if he didn't get at least an incremental $4 billion (either through negotiation or via the arbitrator decision) for the consulting practice to split off, hence his quick resignation once the decision was announced.[citation needed]

Accounts vary on why the split occurred — executives on both sides of the split cite greed and arrogance on the part of the other side, and executives on the Andersen Consulting side maintained breach of contract when Arthur Andersen created a second consulting group, AABC (Arthur Andersen Business Consulting) which began to compete directly with Andersen Consulting in the marketplace. Many of the AABC firms were bought out by other consulting companies in 2002, most notably, Hitachi Consulting and KPMG Consulting, which later changed its name to BearingPoint.

On June 15, 2002, Andersen was convicted of obstruction of justice for shredding documents related to its audit of Enron, resulting in the Enron scandal. Nancy Temple (Andersen Legal Dept.) and David Duncan (Lead Partner for the Enron account) were cited as the responsible managers in this scandal as they had given the order to shred relevant documents. Since the U.S. Securities and Exchange Commission does not allow convicted felons to audit public companies, the firm agreed to surrender its licenses and its right to practice before the SEC on August 31, 2002, effectively ending the company's operations.

The Andersen indictment also put a spotlight on its faulty audits of other companies, most notably Sunbeam and WorldCom. The subsequent bankruptcy of WorldCom, which quickly surpassed Enron as the biggest bankruptcy in history, led to a domino effect of accounting and like corporate scandals that continue to tarnish American business practices.

On May 31, 2005, in the case Arthur Andersen LLP v. United States, the Supreme Court of the United States unanimously reversed Andersen's conviction due to what it saw as serious flaws in the jury instructions.[3] In the court's view, the instructions were far too vague to allow a jury to find obstruction of justice had really occurred. The court found that the instructions were worded in such a way that Andersen could have been convicted without any proof that the firm knew it had broken the law or that there had been a link to any official proceeding that prohibited the destruction of documents. The opinion, written by Chief Justice William Rehnquist, was also highly skeptical of the government's concept of "corrupt persuasion"—persuading someone to engage in an act with an improper purpose even without knowing an act is unlawful.

Since the ruling vacated Andersen's felony conviction, it theoretically left Andersen free to resume operations. However, it is highly unlikely Andersen will ever return as a viable business even on a limited scale. The firm lost nearly all of its clients when it was indicted, and there are over 100 civil suits pending against the firm related to its audits of Enron and other companies. In addition, its reputation was so badly tarnished that no company wanted Andersen's name on an audit. Even before voluntarily surrendering its right to practice before the SEC, it had many of its state licenses revoked. It began winding down its American operations after the indictment, and many of its accountants bolted to other firms. From a high of 28,000 employees in the US and 85,000 worldwide, the firm is now down to around 200 based primarily in Chicago. Most of their attention is on handling the lawsuits and presiding over the orderly dissolution of the company.

As of 2008, Arthur Andersen LLP has not been formally dissolved nor has it declared bankruptcy. Ownership of the partnership has been ceded to four limited liability corporations named Omega Management I through IV.

**Required**

1. State and explain the personal characteristics that made Arthur Andersen a successful entrepreneur cite examples from the case. (5 marks)
2. Do you think Andersen made the right choice of business venture? Discuss giving supporting evidence from the case study. (10 marks)
3. What in your opinion caused the downfall of Arthur Andersens’ business? Give supporting evidence from the case study. (10 marks)

What is your advice to Arthur Andersen in effort to revive his business?(5 marks)

**Group 8&10**

**Mrs Mwangi Cafe’**

When Mrs. Mwangi got her retirement cheque from her employer, she had not planned for her retirement strategy. She therefore decided to open a new café in Karatina Town. Her entry strategy consisted cutting prices by 20% for the first three months in order to attract customers, a friend had disclosed to her that customers will be attracted by lower pricing. The initial period was very successful, but shortly after getting prices back to market rate sales fell drastically and fell short of targets. The owner manager was frustrated: In her analysis of the situation she realized that customers were not served promptly, there were countless orders that went missing which kept customers from returning. Utensils become few and went missing. Some Deliveries orders were being sent out late or to the wrong customers. This typified Mrs Mwangi’s early experience: the market was showing interest in the cafes products and services but she knew that without exceptional services, good food was not enough, she questioned whether she could find employees who were customer focused and swift in rendering the services. He wondered how to improve the business in order to turn the café into sustainable and profitable enterprise.

**REQUIRED**

1. Was Mrs. Mwangi’s Café a good business idea? Give reasons by explaining Five characteristics of a good business idea 5marks
2. As a business management consultant what steps would you advice Mrs Mwangi to take so as to promote innovation in her enterprise which would turn the café into sustainable and profitable enterprise? 5marks
3. Discuss any five environmental factors that are likely to impact the performance of the business negatively. 5 Marks

**Case 2**

**REAL COM**

Realcom is a proposed private limited company business to be incooporated in the year 2013. The proprietors of the proposed business have already identified a premise for operations e on the ground floor of Bonde Plaza along Kenya Avenue in Nakuru Town. The company’s core business will be the provision of mobile phone airtime and sale and repair of mobile phones. The proposed market of interest is the Central Rift Valley region but is project to expand and cover the entire Rift Valley province after two years of operation. The company will have two directors, with share holding distribution as follows: Joseph is a Bachelors of Commerce graduate and is currently perusing a Masters degree in Entrepreneurship. He has a wealth of experience in the telecommunications industry having worked for leading companies in the industry for over 10 years. His key strengths are in sales and marketing. Ken is a highly respected financial consultant and a director of Karani and Associates who are a leading firm in Financial and Management Consulting. He is an Accounting graduate, Certified Public Accountant and member of Institute of Certified Public of Kenya. His strong financial management orientation is a key strength to the business.

The mobile telephony industry turnover is approximately 300 million shillings per year. The industry has over 100 distributors with thousands of sub dealers in the distribution chain. The expansive nature of the market has led to situations where dealers support sub dealers in actual wholesale distribution of network products in areas where they are not available or cannot cost effectively supply. It is believe that the industry size, presents an opportunity for more players to operate profitably and grow the networks business while addressing existing and emerging distribution gaps particularly in the up country markets.

**Question**

1. Discuss the reasons that justify the viability and feasibility of this business 15marks

**GROUP 7& 9**

Tracy and Tracy ltd is a company recently started two young entrepreneurs. The company has greatly benefited from the Uwezofund and has set foot in many sectorsof the economy. It has been very successful and has engaged several young people in its operations. The company is financially stable and its owners are geared towards growth path.

**Required**

a). Assuming the company described above is operating in the rural areas, what sectors is it likely to be focusing on? (5 marks)

b). Aside from employment creation, what other areas has the described company contributed to the economic development in its community? (5 marks)

c). Apart from finances, what are some of the challenges that Tracy and Tracy Ltd may have faced when starting operations. (5 marks)

**TURNAROUND STRATEGIES ADOPTED BY UCHUMI SUPERMARKET LTD:**

Uchumi Supermarket limited was a public limited company incorporated in 1975 under the Companies Act. In early 2000s it started to experience financial and operational difficultieswhich resulted in a marked diminution of the Company's resources consequently it was unable to meet its financial obligations. On 31st May 2006, the Board of Directors resolved that the company ceases operations and on 2nd June 2006, the Debenture Holders placed the Company under receivership. Following a framework agreement between the Government of Kenya, suppliers and debenture holders, the company was revived and commenced operations from 15th July, 2006 under Specialized Receiver Manager and interim management. By the end of 2008 financial year, Uchumi returned a profit of Kshs 106 million against a loss of Kshs 257 million the previous year marking a turnaround of Kshs 356 million.

The company had been faced by various problems including high amounts of unpaid debts, unplanned expansion projects, conflict of interest among the board members, cash flow imbalances, corruption, lack of operating capital, low price competition and monopolistic mindset. The interim management team put together Uchumi Recovery Plan which included a combination of turnaround strategies to rescue the company from total collapse. These strategies included recapitalization, cost management, improved customer service, maximization of sales revenue and business reorganization and restructuring.. Company stakeholders play a major role in the revival of the business and when a firm is faced by performance crisis it should consider replacing the existing top managers and hire an experienced managerial team to steer the turnaround process.

*SOURCE:* [*http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/23192*](http://erepository.uonbi.ac.ke:8080/xmlui/handle/123456789/23192)

**Required**

1. Describe in detail the factors that led to the woes experienced by Uchumi Supermarket Limited 10 marks
2. Discuss the implication the above crisis to the Uchumi supermarket Limited 5marks