



The Rise and Fall of an Entrepreneur

This case was written by Dr Khurram Shahzad*, with assistance of Asma Gul** and Nosheen Sarwat***. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

*Associate Professor, Faculty of Management Sciences, Riphah International University, Islamabad, Pakistan.

Correspondence email: kshahzad78@yahoo.com

**Lecturer, Faculty of Management Sciences, Riphah International University, Islamabad, Pakistan.

***Assistant Professor, Faculty of Management Sciences, Bahauddin Zakriya University, Multan, Pakistan.

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CASE STUDY

Abdul Wahid was born in a middle class family of Rawalpindi city in Pakistan. He completed his education till 12th standard from a local school and college. Then he got a job in a government organization at the age of 19. His father was also a government employee and wanted his son to work in government, so Wahid being compliant to his father's wish kept on working in a government organization. Initially he was single had not much financial responsibilities so the salary was enough to meet his ends and he was content with what he earned. Although his co-workers were involved in many malpractices of making money like taking bribery from public for the fast processing of their cases in government office but Wahid did not indulge himself in these practices because of his moral values inculcated into him by his father.

At the age of 21 he was married to his cousin. Initial years of his marriage were very smooth but 5 years after his marriage when he had 3 children; his government job's salary was not enough to meet his ends and he was faced with a dilemma. He discussed his situation with his friend and came to the conclusion that he had two options to raise his income. One; he should also start taking bribery like his other co-workers and two; he should start a part-time business along with his job. He opted for the second option.

He recalled that he had helped his uncle in his grocery store business during his college days. So he had some experience of how a small business is operated. He consulted his friends and family members who were in business for business ideas. He analyzed all the business ideas collected on three aspects which were capital required, skill/expertise needed and profitability/risk. His final choice was to open a small scale home made ice cream production unit. Reason for this choice was the fact that only large scale ice cream brand "Polka", a national level operator, was not in door to door selling and customers had to go to a nearby

store to buy ice cream. So he thought that if he sells ice cream with door to door selling strategy, it can be profitable. With this belief he moved forward and started to develop a business plan. He did not seek any professional help in the development of business plan and did every thing at his own.

When it came to starting business he looked to his father for financing. He himself had no saving and did not want to borrow from bank because of markup factor. After persuasion, his father agreed to give him the initial capital by selling his asset, a piece of land. After getting capital, Wahid started working on his business plan with all zeal and zest. He rented out a garage nearby his office, bought the machinery, hired labor and started production at the end first month under the name Faisal Ice Cream. He did not use any formal advertising method to save cost. Initial sales were not satisfactory. Being seasonal business of about 7-8 months a year, in first two years even break even was not achieved and business was running in loss. He also faced problems of quality in initial years. His father and family had started blaming him for selecting a poor business idea but Wahid was convinced that there was nothing wrong with the idea rather he was not able to execute the idea well. He needed more money to start the third season of his business and his father had already refused to give him any further financial assistance. He turned to one of his friends for financial help who agreed to give money on condition that Wahid will return money within one year.

Abdul Wahid was under extreme pressure to make his business idea work this time other wise he will be under debt with no assets to pay it back. He could not afford to fail again. So he thought of doing a thorough analysis of what went wrong and why in first two seasons of his business. This time he also took professional help from an experienced entrepreneur who was his relative. He hired a new production supervisor who could better take care of the quality aspect of ice cream production. He advertised his business using low cost mediums. He increased the commission percentage for his sales people and offered more profit margins to retailers. When new season started, things began working and initial 02 months sales were much beyond his expectations. He reached break even in first two months and doubled the production. Business activity increased to an extent that he had to take leave from his government job.

When third season of 8 months ended, he was not only able to repay the debt to his friend but also returned half the money he took from his father.

Things were streamlined afterwards for Wahid. He continued running his business profitably with minor ups and downs for next 21 years along with his government job. Abdul Wahid had reached the age of 50 and his eldest son had graduated from a local business school with MBA degree. But his son was more interested in working for a large corporation rather than taking up his father's business. Meanwhile a multinational company (MNC) had acquired "Polka" and adopted door to door selling strategy for ice cream. The MNC used low cost strategy to drive out small scale producer like Faisal Ice Cream. He asked his son to help him in how to revive his business in such conditions. His son on the basis of his knowledge gained during MBA program studied his father's business and its competitive environment carefully and scientifically and concluded that if Faisal Ice Cream has to survive in the market then some major changes were required. Production machinery had become obsolete and needed to be upgraded or ideally replaced, branding of the product on modern grounds was needed and old wooden door to door selling boxes installed on bicycles needed to be replaced with tin made painted boxes with motorcycles. All these changes required major capital investment which Abdul Wahid did not had. Whatever Wahid earned from his business was spent on fulfilling the needs of his family like buying house, children education etc. He had no reserve money to be invested back into business. He did not invest back in his business to keep the machinery and other things updated. Meanwhile his health was also falling down and he was still continuing with his business with loss in anticipation of finding some suitable buyer. But with obsolete equipment and loss of last three years it was a rare possibility. At the age of 53, he suddenly had a heart attack and died because of it.

His son, who had been successful in getting a good job by this time, sold his business in parts in scrap after his funeral ceremonies.