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FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
INTRODUCTION TO ENTREPREURSHIP
BAM II GROUP A

11th December, 2012

SECTION A

Read the scenario below and answer the questions that follow.

Once upon a time there was this quaint little village called Aduku. It was a great place to live except for one problem. The village had no water unless it rained. To solve this Problem once and for all, the village elders decided to put out to bid the contract to have water delivered to the village on a daily basis. Two people volunteered to take on the task and the elders awarded the contract to both of them. They felt that a little competition would keep prices low and insure a back up supply of water. The first of the two people who won the contract, Enoch, immediately ran out, bought two galvanized steel buckets and began running back and forth along the trail to the lake which was a mile away. He immediately began hauling water from the lake with his two buckets. He would empty them into large concrete holding tank the village had built. Each morning he had to get up before the rest of the village awoke to make sure there was enough water for the village when it wanted it. It was hard work, but he was very happy to be making money and for having one of the two exclusive contracts for this business.

The second winning contractor, Kenneth, disappeared for a while. He was not seen for months, which made Enoch very happy since he had no competition. Enoch was making all the money. Instead of buying two buckets to compete with Enoch, Kenneth had written a business plan, created a corporation, found four investors, employed a Managing Director to do the work, and returned six months later with a construction crew. Within a year his team had built a large volume stainless steel pipeline which connected the village to the lake.

At the grand opening celebration, Kenneth announced that his water was cleaner than Enoch's water. Kenneth knew that there had been complaints about the dirt in Enoch's water. Kenneth also announced that he could supply the village with water 24 hours a day, 7 days a week. Enoch could only deliver water on the weekdays... he did not work on weekends. Then Kenneth announced that he would charge 75% less than Enoch did for this higher quality and more reliable source of water. The village cheered and ran immediately for the tap at the end of Kenneth's pipeline.

In order to compete, Enoch immediately lowered his rates by 75%, bought two more buckets, added covers to his buckets and began hauling four buckets each trip. In order to provide better service, he hired his two sons to give him a hand for the night shift and on weekends.

When his boys went off to college, he said to them, Hurry back because someday this business will belong to you.

For some reason, after college, his two sons never returned. Eventually Enoch had employees and union problems. The union was demanding higher wages better benefits, and wanted its members

to only haul one bucket at a time. Kenneth, on the other hand, realized that if this village needed water then other villages must need water too. He rewrote his business plan and went off to sell his high speed, high volume, low cost, and clean water delivery system to villages throughout the world. He only makes a penny per bucket of water delivered, but he delivers billions of buckets of water every day.

Regardless if he works or not, billions of people consume billions of buckets of water, and all that money pours into his bank account. Kenneth had developed a pipeline to deliver money to himself as well as water to the villages. Kenneth's employees were ever motivated and remained loyal to him. Kenneth lived happily ever after and Enoch worked hard for the rest his life and had financial problems forever after. The end

Critically analyze

1. what contributed to Kenneth's success **(25 marks)**
2. what contributed to Enoch's failure **(25 marks)**

Answer any two questions from this section

1. Discuss the significance of going through the due diligence process before buying an existing business. **(16 marks)** When could buying an existing business be advantageous? **(9 marks)**
2. Describe the details that a franchising contract may involve **(5 marks)**. How may the franchisee benefit from the franchising arrangement? **(14 marks)** what challenges may a franchisee face? **(6 marks)**
3. Highlighting the needs in an entrepreneurial situation, discuss how personality characteristics can lead to entrepreneurial success. **(25 marks)**
4. Discuss how changes in the macro environment may result into entrepreneurial opportunities **(10 marks)**. In what ways may opportunities present themselves **(9 marks)**? How would you screen opportunities? **(6 marks)**