



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

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**MAY- AUGUST 2021**

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**DEPARTMENT OF GRADUATE BUSINESS STUDIES**

**REGULAR/ODEL PROGRAMME**

**CEN 520: ENTREPRENEURSHIP AND THE BUSINESS ENVIRONMENT**

**Date: AUGUST 2021**

**Duration: 3 Hours**

**INSTRUCTIONS: Answer ALL Questions**

## **Question One**

a) Read the case provide and answer the Questions that follow.

### **The Ideal place to launch a Business**

For growing numbers of students, college is not just a time of learning, partying, and growing into young adulthood; it is fast becoming a place for building a business. More than 2,300 colleges and universities offer courses in entrepreneurship and small business management (an increase from just 200 schools in the 1970s) to more than 400,000 students, and many of them have trouble keeping up with demand for these classes. "Students used to come to college and assume that five to ten years down the road, they'd start a business," says Gerry Hills, cofounder of the Collegiate Entrepreneurs Organization. "[Today], they come in preparing to get ideas and launch."

Many collegiate entrepreneurs realize that if they are going to have a job when they graduate, it is likely to be one they have created for themselves. According to a recent survey by Accenture, only 16 percent of college graduates who applied for a job had

one waiting for them after graduation. For a growing number of college students, landing a job in corporate America, starting on the bottom rung of an uncertain career ladder, has lost much of its allure. While studying at Harvard (where she majored in the history of science), Windsor Hanger worked in internships at OK! Magazine and at Bloomingdale's, which offered her a marketing position when she graduated. Hanger turned down the job offer, choosing instead to focus on the business, HerCampus, an online magazine aimed at college women, that she had started with classmates Stephanie Kaplan and Annie Wang. "It's not a pure dichotomy anymore that entrepreneurship is risky and other jobs are safe, so why not do what I love?" she says. For their work at HerCampus, which is now profitable, Hanger, Kaplan, and Wang recently were named to Inc. magazine's "30 Under 30 Coolest Young Entrepreneurs" list.

Perhaps because of their stage in life, college entrepreneurs are particularly keen at spotting business opportunities. When Derek Pacqué was a senior at Indiana University, he was at a nightclub one cold evening and tucked his coat away in a corner for safekeeping. When he went to get his coat later, however, it was gone. Pacqué never found his coat, but he did find the inspiration for a business when he realized that none of the bars in town had a coat check. Pacqué approached several bar owners around town to see whether they were interested in a coat check service. Many were, and Pacqué launched Hoosier Coat Check, investing \$500 to build portable coat racks and hiring several college students to staff them. Hoosier Coat Check collected between 10 percent and 30 percent of the \$2 to \$3 check fee the bars charged and in just six months generated \$50,000 in revenue. The business was more profitable than Pacqué had expected, but numerous unanticipated problems cropped up as well, including lost tickets and matching customers with the wrong coats.

After graduating, Pacqué worked with a former professor to reformulate his business model to eliminate paper tickets and incorporate digital technology. Now, an app uses photographs and QR codes to check customers' coats, increasing both the speed and

the reliability of the service. He also changed the name of the company to CoatChex and began to focus on events at large venues rather than local bars. He landed contracts to provide coat check services for the ESPN and Maxim Super Bowl parties in Indianapolis, and the company grew from there. Pacqué also discovered an unexpected angle on his company's digital coat check service. His customers wanted access to the information that CoatChex collected on its customers through its app so that they could connect with customers through social media such as Facebook, Twitter, and Instagram.

Pacqué is searching for \$1 million from private investors to fuel CoatChex's growth so that the company can live up to its potential. He appeared on television's Shark Tank, offering 10 percent of the company in exchange for a \$200,000 investment. Indiana University alumnus Mark Cuban offered Pacqué \$200,000 for one-third of CoatChex, but Pacqué refused, not wanting to give up that much equity so early in the life of his business. Although Pacqué did not get the investment deal he had hoped for from Shark Tank, the brand exposure that CoatChex received from appearing on the show has proved to be as valuable as an infomercial that would cost \$500,000.

While working on a master's degree in computer science and electrical engineering, Limor Fried enjoyed applying the skills she was learning in the classroom, building MP3 players and laser toys from custom-ordered parts. Fried posted the instructions on her Web site and soon was flooded with requests from people asking for pre-assembled kits so that they could build their own devices. "At first, I was like, 'I'm really busy. Leave me alone,'" she recalls. Then she realized the entrepreneurial potential that selling kits had and convinced her parents to allow her to use \$10,000 of the money they had set aside for tuition to purchase parts in bulk, assemble the kits, and sell them. As word spread, the number of orders grew, and Fried began hiring some of her friends to help fill them. Soon, she was designing a new project every week for her customers, who ranged from elementary school kids and tech geeks to hobbyists and retirees.

Today, Fried owns Adafruit Industries, a New York City-based company that generates more than \$10 million in annual sales by selling pre-assembled kits of parts for building cool objects such as MintyBoost, a portable USB mobile device charger made from an Altoids tin and various electronic components (50,000 kits sold so far). Other popular kits include the iNecklace, which allows customers to build a pendant shaped like the “on” button on Apple gadgets (complete with pulsating light), and the MaKey MaKey, a device that uses circuitry and alligators’ clips to turn anything that conducts electricity (bananas, plants, your dog . . .) into a keyboard or touchpad. AdaFruit Industries’ 50 employees are constantly developing new kits and shipping them worldwide.

Budding entrepreneurs at a growing number of colleges can take advantage of a special programs designed to create a culture for entrepreneurship. A growing number of schools provide on campus business accelerators that offer promising student entrepreneurs amenities such as low-cost (sometimes free) office space, start-up funding, professionally appointed conference rooms, wireless Internet access, smartboards, ample computer facilities, videoconferencing equipment, copiers, and others. Presentations from entrepreneurs, venture capitalists, bankers, attorneys, and others help students define their business ideas and develop their business plans. “It’s often over those late-night pizzas where the best ideas are born,” says one official. One student entrepreneur in the program agrees: “A lot of it is the community. Being around people in the [entrepreneurship] program inspires one to think about other opportunities out there. What I’ve learned here is how to plan, how to make a business actually work.”

### **Required**

- i. In addition to the normal obstacles of starting a business, what other barriers do collegiate entrepreneurs face? **(6 Marks)**
- ii. What advantages do collegiate entrepreneurs have when launching a business? **(6 Marks)**
- iii. In reference to the case, examine the stages in the entrepreneurial process that a fellow college student wishing to start a business should be concerned with? **(6 Marks)**

- iv. Explain the entrepreneurial characteristics of the students mentioned in the case **(5 Marks)**
- v. With reference to the case, are entrepreneurs born or made? Explain **(3 Marks)**
- b) You intend to start a courier service business in the city. However, one of your friend caution's you to first study the economic environment before startup. Explain the economic issues that you should consider in order to be successful in the business **(4 Marks)**

**Question 2.**

- a) Discuss the historical perspective and timelines in the evolution entrepreneurship **(5 marks)**
- b) Do you think the entrepreneur would be better off spending time writing a business plan? Explain. **(5 Marks)**

**Question 3**

- a) From an entrepreneur's perspective, analyze the dimensions of entrepreneurship orientation of organizations **(5 marks)**
- a) Entrepreneurs think and make decisions in highly uncertain environments where stakes are high, time pressures are immense, and there is considerable emotional investment. Given the nature of decision-making environment, entrepreneurs must be involved in different thinking processes including effectuation thinking. Discuss **(5 Marks)**

**Question 4.**

- a) Explain what can be done to increase diffusion rate of an innovation among prospective users **(5 Marks)**
- b) Differentiate an opportunity from an idea and explain what makes some people better than others in identifying, and recognizing opportunities **(5 Marks)**