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MAIN EXAMINATION

MAY – JULY 2018 TRIMESTER

FACULTY OF COMMERCE

MBA ODEL PROGRAMME

CEN 610: NEW VENTURE CREATION AND MANAGEMENT

Date: JULY 2018

Duration: 3 Hours

INSTRUCTIONS: Answer any FOUR Questions

Q1. Read the case of James Attika and answer the following questions.

FLOWER FIRM BOSS BUDS INTO AN ICON IN BEAUTY BUSINESS

By Macharia Mwangi

After differing with his employer in 2008, James Attika's decision to quit his job put him at loggerheads with his friends. Many of them could not understand why he would hang his boots for a job that earned him Sh120,000 monthly pay cheque. "Some of my associates took off thinking that in the long run, I will burden them soliciting money after getting broke," he told the interviewer. Equally perplexing was the idea that he was pitching to them as his would-be income stream. "My friends said my money would go down the plug-hole. Salons rarely succeeded in Naivasha no matter how fashionable they appear since the onset," they told him. But the 37-year-old already had a toe-hold in the beauty industry to lean on. In 2006, together with his wife, they set up a salon pumping Sh450,000 as seed capital obtained through a bank loan. "It was now time to increase the investment in the salon business to ensure that it gets a competitive edge over similar ventures. Other barber shops charged about Sh30 but we fixed our rates at a minimum Sh100 for a shave," said Mr. Attika.

After furnishing the new-look F&H Main unisex salon, customers began coming in droves despite the seemingly high charges. But his detractors were not done with him. They spread word that although his refurbished beauty parlour was in a class of its own; it offered jobs to "backstreet girls". Mr. Attika, however, was unmoved; the negative comments saw him invite beauty professionals to train his

new staff. Further, he hired more workers from the beauty colleges. “On a good day, we were making between Sh6, 000 and Sh8, 000 – quite a tidy sum at the time,” he says. In 2009, customer numbers became overwhelming. “We needed to spread out to give customers an alternative and save them time waiting in the long queues that formed virtually every day,” the former purchase manager in a Naivasha flower company told the interviewer. And with lady luck smiling on him again, the new outlet became an instant hit with customers getting used to his good service. As a stickler to small details in business, he always ensured his products were of high quality and all the outlets were kept spotlessly clean.

His new kid off the blocks, F&H Icon beauty salon, opened this year, and it has become the talk of the town. For women patrons who form the majority of his customers, a cup of steaming coffee awaits them as the beauticians work their hair. Upstairs houses a barber shop. Here, men being attended to enjoy a glass of wine at no extra cost – while enjoying a shave of their choice.

“We want to give customers a different feel and change the perception people have about beauty parlours,” he said. The proprietor told the interviewer another expansion is in the works, this time targeting Narok and Kitengela towns. On a good month, Mr. Attika says, he takes home over Sh1 million from his three outlets within Naivasha town. His venture has a combined workforce of 38 including him and all of them are competitively remunerated. “We have a bonus scheme where we reward performing employees to motivate them to work harder. Also, we have several salaried workers just to give them entitlement,” he noted.

Required:

- a) Analyze the entrepreneurial traits of James Attika **(5 marks)**
 - b) What lessons of entrepreneurial growth can you learn from this case? **(5 marks)**
 - c) Identify the environmental factors that influenced the growth of James Attika’s enterprise **(5 marks)**
- Q2. a) Explain the various ways in which corporate entrepreneurship behaviour can be facilitated in an organization. **(10 marks)**
- b) Describe the concept of design thinking in new venture creation. **(5 marks)**
- Q3. a) With help of examples, explain **any three** of the following types of innovations in new venture creation.
- i) Product innovation
 - ii) Process innovation

- iii) Radical innovation
 - iv) Incremental innovation
- (5marks each)**

Q4. a) Highlight the barriers of corporate entrepreneurship **(7 marks)**

b) Critically analyze the corporate entrepreneurship strategy **(8 marks)**

Q5. Write short notes on **any five** of the following concepts of corporate entrepreneurship:

- i) Entrepreneurial philosophy
 - ii) Cooperative corporate venturing
 - iii) External corporate venturing
 - iv) Entrepreneurial mindset in organizations
 - v) Internal corporate venturing
 - vi) Re-engineering corporate thinking
- (3 marks each)**

Q6. a) Explain **five** activities that an entrepreneur needs to juggle with in the management of a new venture. **(7 marks)**

b) Analyze the framework of entrepreneurship growth phenomenon **(8 marks)**

END