

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF
MASTER OF BUSINESS ADMINISTRATION(ENTREPRENEURSHIP OPTION)**

MEEM 813: MANAGING HIGH GROWTH VENTURES

STREAMS: MBA Y2S1

TIME: 3

HOURS

DAY/DATE: THURSDAY 8/4/2021

11.30 AM – 1.30PM

INSTRUCTIONS:

- Answer Question ONE and Any Other THREE Questions.

Q.1. LJ ELECTRONICS CO.LTD CASE STUDY

In 1993, Larry Jones sat at a national trade organization banquet held in his honor. He had just been named “Entrepreneur of the year” The speaker at the dais described to the audience how Larry had formed a company called Larry Electronics Co ltd. Only three years before to buy up the rights to underperforming consumer electronics products. Using creative marketing and attention packaging, his company went public, opened three new plants, bought several new product lines and no one at the banquet knew it yet. His investment bank was already exploring opportunities for additional financing in order to expand even further.

After one year, the company posted a loss of \$6 million and he was on the brink of bankruptcy. The stock price had plunged and there were real doubts as to whether the company could survive. Looking at the company in details, it was easy to spot a severe underestimation of the effects of discounts and volume rebates. Sales were going up exponentially, but the deep discounts, bank charges, and promotions that were becoming a norm in the industry meant that an item that listed for \$20 was in some cases actually only bringing in \$5. Somehow, in the process of the company’s rapid growth, no one noticed they were selling the product for less than it cost to make.

But if runaway discounts were what brought Larry Jones and the Electronics Company to their Knees, the underlying cause of the collapse was much more fundamental: infrastructure. To

avoid hitting the wall, an expanding company need to build a management team around some kind of structure. LJ Electronics' management was too busy making money to notice how little they knew about their situation.

Required

- (a) In reference to the above case and your knowledge of small business stages of growth and growth challenges discuss the problems L J Electronics company is facing as it makes the transition from the entrepreneurial start-up to a rapidly mid-sized company. [15 Marks]
- (b) “ To avoid hitting the wall an expanding small business will need to build a management team around some structure.” In reference to the above case explain this statement and provide suggestions on what Larry Jones would have done differently to avoid the problems he is experiencing. [10 Marks]

- Q2. (a) Discuss strategies that you would put in place as an entrepreneur manager to sustain the growth among high growth ventures. [15 Marks]
- (b) Explain the importance of building a formal organization structures as a foundation for a firm's growth. [10 Marks]

Q3(a) Nicholls –Nixon (2005) argues that sustained high growth depends on building capacity to get things done when formal structures and systems do not keep up with the firm's rapid growth. She argues that different approaches can be used to cope with the increasing complexity that accompanies growth. Discuss such approaches. [15 Marks]

(b) Discuss the role of innovation in High growth ventures. [10 Marks]

- Q4.(a) Entrepreneurial Management is critical to the success of high growth ventures. Discuss
- (b) It is during growth stages that companies attract increasing competition. Explain how sustainable competitive advantages would be created to protect the company from competitive attack. [10 Marks]

Q.5. Discuss a business life-cycle and the associated challenges and provide suggestions on how the challenges can be managed. [25 Marks]

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