

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA AND EMBU CAMPUSES

**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
OF COMMERCE AND BACHELOR OF PURCHASING AND SUPPLIES
MANAGEMENT**

BCOM/BBAM 404: ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

STREAMS: BCOM AND BBAM Y4S2

TIME: 2 HOURS

DAY/DATE: THURSDAY 12/04/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- **Answer question one and any other two questions.**

Q1. LITTLE STARS KIDS-CASE STUDY

Karen left her office administration job to pursue her passion for kids. She runs little stars kids Day Care and Kindergarten.

Karen, 43, is the founder of a school she started in 2014 Little stars and kids Day Care and Kindergarten. Karen worked as an office administrator for nine years with an international NGO, but she always felt that she wasn't cut for her job. Around 2010, she started searching for her ultimate purpose. One that fit her skills and personality. In 2012 Karen attended a short course that equips you with the basic tools to make money out of one's passion. It was during the short training that Karen zeroed in on her passion-running her own kindergarten. She spent the rest of the year hopping from school to school gathering information about how to run a kindergarten. She shopped for land where she would build her school.

The money to finance this would come from property she and her four siblings had agreed to sell in mid-2013. Their aim was to use the returns to each build their own homes. It was a painful decision to redirect her late father's inheritance to start a school whose return was not certain. Together with her pension money she had in total 4.2 million as her capital.

In late Oct 2013, a friend informed Karen about her lady in Wangige who was selling her school. It was a rural area and three km off the main road, so not with her target market but Karen didn't stop to think twice she jumped at the opportunity with both hands and feet. She handed in her resignation letter in Nov 2013 and "took the leap in Jan 2014" Karen wasn't scared of what lay

ahead. If anything she was excited about stepping into the unknown. She had her family's support to cheer her on. Karen renamed her new school Mount Kenya Hekima school. The school had only 88 students from Kindergarten to standard eight. She hired professionals in education to help her run the school. But even with her own effort and those of the professionals she had employed could help save the school from collapse. It was sinking ship and she sank with it." Two months into term one it become clear it was going nowhere." The school fees was barely enough to cover the basic expenses," Say Karen, she had made a big blunder.

Karen closed the school in April 2014, she counted her losses about 1.5 million then back to Membly Hill Park Estate to regroup. She had found an eighth of an acre there she could lease. Karen had burned her fingers (and her money) so much already she was skeptical about getting back on the horse again. But being the person not to give up Karen dusted off and opened Little Stars. The school has a day care, a beginner's class and a kindergarten. The curriculum is based on the government' but with a little swag-its more modern more fun and more child friendly and based on Christian values.

Little Stars opened its doors in May 2014. But no one came. The mushrooming residential neighborhood meant a ready market but there was tight competition from other kindergartens that had opened nearby.

Finally, her first student came in late May, and pulled in six others who pulled another ten later. By end of July the school had 17 students. Her third term had 19 students. The new term in 2015 had 30. The second term 42.

Karen had already learned that charging the right school fees, being patient and doing things differently was crucial to her business breakeven. She had underestimated in her first term, she took the risk to hike fees to give the kids the facilities desired.

Karen now wants bigger land for her school. Bigger land means more space for her kids to run around, and to open a section that cares for babies as young as three months old.

Required:

- (a) What mistakes did Karen make while purchasing the business and what facts she should have considered before deciding to buy the existing business? (10 marks)
- (b) Describe Karen's personality characteristics as provided in the case and show how they correspond to that of an entrepreneur. (8 marks)
- (c) Explain how Karen identified her new business opportunity. (6 marks)
- (d) How did Karen overcome her initial challenges to succeed in the industry with tight competition? (6 marks)

- Q2. (a) Assume you have been assigned the responsibility of identifying entrepreneurial firms in your country. Discuss with examples the features that you would use to identify the entrepreneurial firms from the non-entrepreneurial ones. (10 marks)
- (b) Evaluation of new business ideas is important in helping minimize high failure rate among many small businesses. Discuss industry and market factors that would be used while evaluating business ideas to ensure the idea represents an attractive opportunity. (10 marks)
- Q3. (a) State four reasons why a person intending to start a new business and while operating a business one needs to carry out a business environmental analysis. Describe the process involved in the analysis. (10 marks)
- (b) Explain the functions and the benefits of having a business plan before the start of a new business. (10 marks)
- Q4. Management and entrepreneurial skills are important for the success of a business. Discuss the managerial and entrepreneurial competencies required for the success of a small business. (20 marks)
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