**COOPERATIVE UNIVERSITY OF KENYA**
**UNIVERSITY EXAMINATIONS 2021/2022**
**YEAR II SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR OF**
**(FOR ALL COURSES)**

**HRD 2401: ENTREPRENEURSHIP SKILLS**

## SECTION A: COMPULSORY (30 MARKS)

1 a). In 1985 the then president Daniel Arap Moi visited a famous juakali industrial cluster at Kamukunji (Nairobi) leading to a crucial political recognition of the juakali sector. Since then, the government has accorded high preference to development of the micro and small-scale enterprises by forming and implementing suitable policies and promotional schemes. Explain various supportive roles by the government in developing entrepreneurs in Kenya (10 marks)

b). Having graduated from the Co-operative University of Kenya with a Bachelor of business in cooperative management, a small business consortium from the ministry of public service, youth and gender affairs have contracted you to train time management competence. Discuss five (5) practical skills in time management that you would share with the consortium. (10 marks)

c). Using Maslow hierarchy of Needs Theory, identify two business opportunities at each needs level. Use the needs theory diagram to illustrate your answers. (10 marks)

## SECTION B (ANSWER TWO QUESTIONS- 40 MARKS)

2a). Entrepreneurship students at the Co-operative University of Kenya have been tipped to enter into an innovation competition. Paul's winning innovation has been awarded Kenya shillings five (5) million by the Ministry of industrialisation and enterprise development to commercialize the idea. Explain creativity thinking process that Paul may have anchored on to come up with the award-winning idea. (10 marks).

2b). Development of new ideas and opportunities within established corporations leading to improvement of organisational profitability and the enhancement of the firm's competitive position is a key strategy to the success of entrepreneurial firms. Explain four (4) key elements of intrapreneurship. (10 marks)

3a). Today Commercial Banks are encouraging their members to borrow business finance in their facilities. Explain key areas that the bank will consider in deciding to extend a loan to an entrepreneur. (10 marks).

3b). If an entrepreneur receives equity financing from a family member, the member has an ownership position in the venture and all rights and privileges of that position. This may have a negative effect on employees, facilities, sales and profits. Explain ways the entrepreneur may apply to minimize problems associated with equity business financing from a family member (10 marks).

4a). To grow your business, you need an effective marketing plan. Analyze the components of the right marketing plan (10 marks).

4b). Research indicates that majority of micro and small enterprises die at start-up. Analyze problems causing this predicament. (10 marks)

5a). Explain five (5) main functions of an entrepreneur in an enterprise (10 marks).
5b). The global business environment dictates that governments promote entrepreneurship. Explain five (5) reasons why the government of Kenya promotes entrepreneurship (10 marks)

**Marking scheme**

1a).

Development and management of industrial estates.

- Suspension/deferment of sales tax.
- Power subsidies.
- Capital investment subsidies for new units set up in a particular area.
- Seed capital/margin money assistance scheme.
- Priority in allotment of power connection, water connection.
- Consultancy and technical support.

1b).

- Time scheduling: (Planning) arrangement of activities to be performed within a given time, use of diaries.
- Prioritization of activities with their importance and urgency
- Time consciousness- care exercised regarding the use of time
- Keeping to specifics-handling a specific task within a given time limit, set deadlines and adhere strictly to them
- Delegate duties-to avoid overburdening oneself.
- Preparation-enough preparation for different activities
- Following to the priorities to avoid change
- Make quick decision making
- Make alternative rules

1c).

- **Physiological needs:** Providing basic needs (food, shelter, clothing and education) through Real Estate in building houses and selling, Hotels, offering education through private schools and universities
- **Safety needs:** Providing security, stability, and safe environment through insurance companies, security firms and street lighting projects
- **Social and belonging needs:** Providing social interaction, friendship, affection and love through bars, entertainment halls and event management
- **Ego and self-esteem needs:** Providing products and services that makes one feel good about themselves, their capabilities achieving respect from others, recognition and appreciation. Such businesses include car selling, selling or leasing flats in upper market as well as retailing differentiated products in upper markets.

- **Self-actualization:** Providing products and services that makes one realize their full potential as human beings. Such businesses include hiring helicopters and leadership seminars

2a).

I) Preparation stage- Defining the problem where one is conscious of the assignment. The goal is established, gather information on anything related to solving the problem, set up the criteria to know accomplishment. This stage can last minutes, weeks, months or even years.

II) Incubation- Resting phase, 'sleep on it, letting it cook'. Set back from the problem and let your unconscious work on the problem. The ideation process continues and the ideas are sharpened.

III) Illumination stage: This is the moment in which the solution is transferred from the sub-conscious into the conscious. Ideas arise from the mind to provide the basis of a creative response. This can be pieces of the whole or the whole. Often it is very brief and involves a tremendous rush of insights within a few minutes or hours. This is the moment when a new idea finally emerges, can be a proposal, a plan, a prototype and can be experienced by important stakeholders e.g. customers, banks.

IV) Verification stage: Logical follow up to verification of the illumination within the applied context of design.

- Prototypes and plans are evaluated by others.
- Verifies whether or not what emerged in illumination satisfies the need and criteria defined in the preparation stage.

2b).

1) New business venturing (corporate venturing)- Creation of a new business within an existing organization. Consists creating something new of values either by redefining the company's current products and services, by developing new markets and forming more autonomous firms.
2) Organizational innovativeness- Includes new product development and new production methods/procedures.

3) Self-renewal- Transformation of organizations through the renewal of key ideas which includes redefinition of the business concept, and firms reorganization.

4) Proactiveness- Includes initiative and risk taking, competitive aggressiveness, boldness particularly reflected in the orientations and activities of top management. A proactive organization is included to take risks by conducting experiments, takes initiative and is bold aggressive in pursuing opportunities

3a). -5C's of lending; i.e. character, capacity, capital, collateral and conditions

- Past financial statements.
- Future projections on market size, sales and profitability.
- Banks also require a business plan

3b).

(i) Treat such loans in the same businesslike manner as if the financing is from an impersonal investor.
(ii) Every loan should specify the interest rate, proposed repayment schedule of interest and principal.
(iii) Timing of future dividends should not be put in terms of an equity.
(iv) Treat the family or the friend as any other investor.
(v) Settle everything before in writing, i.e. amount of money involved, terms of the money, rights and responsibilities of the investor and what happens if the business fails?

4a). Target customers, market share, competitors, promotional strategies, pricing strategies, sales tactics and distribution

4b). • Lack of all – round managerial experience or understanding in the particular line of production
• Lack of adequate accounting system leading to non- availability of basic figures necessary for decision making
• Inadequate estimate of cash requirement or faulty capital planning
• Inadequate knowledge of tax related matters
• Inadequate capital
• Weak marketing skills
• Lack of strategic plan
• Uncontrolled growth
• Poor location
• Improper inventory control
• Poor pricing strategies
• Inability to make “entrepreneurial transition”

5a). Combination of economic factors, Accepting risk, Providing market efficiency, Processing market information, Maximizing investor returns, Ensuring participation of others, Shareholding, developing an organization structure, structuring the organization design, organizational directors.

5b). Entrepreneurship constitutes change in the structure of business and society, job provision which further raises the standard of living of the people, Enhances link between micro, small, medium and large companies, Curb rural-urban migration when Jobs are found in the rural areas, facilitates community development, serves as a conservation agent, contribute to the Gross domestic product, Conservation of foreign exchange through reducing expenditures for imports, Utilisation of simple technology, Promotion of the use of local resources, Promotion of industrialization, Generation of revenue for the government.