MUEO

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC AFFAIRS, RESEARCH & EXTENSION

UNIVERSITY EXAMINATIONS

2013/2014 ACADEMIC YEAR

SECOND YEAR END OF SEMESTER I/II EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

EXAM CODE:- **BBM 208**

COURSE TITLE:- **ENTREPRENEURSHIP THEORY & CONCEPTS**

DATE:- 27TH FEBRUARY, 2014 **TIME:- 2.00P.M. - 5.00 P.M.**

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

THIS PAPER CONSISTS OF (2) PRINTED PAGES

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BBM 208: ENTREPRENEURSHIP THEORY AND CONCEPTS

Time: 3 Hours

Instructions: Answer Question One and Any Other Three Questions

QUESTION ONE

Read the following case and answer questions that follow:

M-PESA: Mobile Money for the "Unbanked" Turning Cellphones into 24-Hour Tellers in Kenya

In March 2007, Kenya's largest mobile network operator, Safaricom (part of the Vodafone Group) launched M-PESA, an innovative payment service for the unbanked. "Pesa" is the Swahili word for cash; the "M" is for mobile. Within the first month Safaricom had registered over 20,000 M-PESA customers, well ahead of the targeted business plan. This rapid take-up is a clear sign that M-PESA fills a gap in the market. The product concept is very simple: an M-PESA customer can use his or her mobile phone to move money quickly, securely, and across great distances, directly to another mobile phone user. The customer does not need to have a bank account, but registers with Safaricom for an M-PESA account. Customers turn cash into E-money at Safaricom dealers, and then follow simple instructions on their phones to make payments through their M-PESA accounts; the system provides money transfers as banks do in the developed world. The account is very secure, PIN-protected, and supported with a 24/7 service provided by Safaricom and Vodafone Group.

The project faced formidable financial, social, cultural, political, technological, and regulatory hurtles. A public-sector challenge grant helped subsidize the investment risk. To implement, Vodafone had to marry the incredibly divergent cultures of global telecommunications companies, banks, and microfinance institutions –and cope with their massive and often contradictory regulatory requirements.

Finally, the project had to quickly train, support, and accommodate the needs of customers who were unbanked, unconnected, often semi-literate, and who faced routine challenges to their physical and financial security. We had no roadmap, but created solutions as we went and persevered when a pilot slated to take several months took almost two years. Why and how does a telecom company like Vodafone start a banking project like this? It's not part of Vodafone's core business; it was not developed in a core market (Kenya is a relatively small market in Vodafone's terms); and it has little to do with the voice or data products that drive Vodafone's revenue streams. Telecom companies are young and fast moving; banks are old, traditional, conservative, and slow moving. And, having generated the concept and decided at the corporate level to implement it, what are the practical issues that need managing to get the project off the ground and into commercial operation? These are the questions we sought answers for.

SNAPSHOT:Mobile Money Speeds Commerce

Mary Mwangi has a small general store in Meru, Kenya. She has just received a call from a family friend and occasional supplier of stock to her shop who lives in Nyeri, nearly 100 miles away. She is told that for Ksh 7,000 (about $100 US) she could secure a supply of kitchenware for less than half the usual price, as long as she can pay for it today. This is a good opportunity for Mary as she knows that she can sell these goods in Meru at a profit.

How does Mary secure this deal quickly? Time and distance are not on her side. She doesn't hold a bank account and neither does the supplier. She does have the cash but it is in her Meru store. She could send her money with a friend on a bus to Nyeri but it will take most of the day and cost a significant part of her profit. Traveling with money is also a risk as highway robbery is not uncommon.

The answer lies in M-PESA (*pesa* is the Swahili word for cash).Mary recently registered with Safaricom to open an M-PESA account. This was a simple process that gave her access to an e-money account managed entirely through some simple menu instructions on her prepaid cellphone. Ten minutes after the call from her friend, Mary has been to a local Safaricom Airtime Dealer (of which there are several in Meru) and has deposited Ksh7,000 into her M-PESA account. This is very similar to topping up he prepaid cellphone airtime, except she is loading cash into her M-PESA virtual account. A few minutes later Mary has returned to her shop where she sends an SMS text message instructing MPESA to transfer half the cost of the goods to her friend's M-PESA account, effectively securing the purchase with a real time funds transfer. The goods are dispatched to Meru on the next bus, and when they arrive Mary settles the remaining money by sending another text message instruction to the M-PESA service. Making this payment quickly and securely by cellphone cost Mary Ksh60 (less than a dollar).

The M-PESA service is fast, secure, and very cost-effective. It is opening up new opportunities for businesses like Mary's all over Kenya as well as supporting person-to-person money transfers, or remittances, which are common in many economies where the bread winner supports an extended family, often many miles away.

Source: Nick Hughes and Susie Lonie innovations / winter & spring 2007

Questions

(a) Identify the key sources of innovation for the M-PESA concept in Kenya. *(5 Marks)*

(b) Identify and illustrate from the case at least **FOUR** forms of innovation that Safaricom (part of the Vodafone Group) has continuously used in implanting the M-PESA concept in Kenya. *(10 Marks)*

(c) The M-PESA concept has been very successful in Kenya. Analyze the Challenges that Safaricom (part of the Vodafone Group) may have in elevating M-PESA to be a global concept. *(10 Marks)*

QUESTION TWO

The emergent concept of social entrepreneurship is gaining momentum in both the corporate and the informal (small business) sectors venturing in Kenya. Provide and explain reasons that have contributed to these using relevant examples. *(15 Marks)*

QUESTION THREE

Research has shown that most of the Kenyan-owned family business units do not survive to the second generation. They often stagnate in growth or collapse after the owners (entrepreneurs) die. From the entrepreneurial point of view, provide explanations for this reality and suggest interventions that can be used to make such firms sustainable through family generations.

(15 Marks)

QUESTION FOUR

As an entrepreneurship scholar, you have been approached by a small business owner to illustrate to him/her how to practically implement entrepreneurship in his/her firm. Clearly demonstrate this to him/her using relevant examples based on the nature of her/his business.

(15 Marks)

QUESTION FIVE

Assume you have been appointed a Director of Enterprise Development in Uwezo Fund – a Government supported project in Kenya . The Cabinet Secretary is scheduled to address a Youth Forum and has asked you to prepare a paper for presentation *entitled "Nurturing an Enterprise Culture among the Youth in Kenya"*. Identify and elaborate the key points that you will include in this theme.

(15 Marks)

QUESTION SIX

Analyze the qualities desired of an effective entrepreneurial manager for a firm operating in a highly dynamic (uncertain) and complex business environment.

(15 Marks)

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