



MUEO

MOI UNIVERSITY

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

UNIVERSITY EXAMINATIONS 2016/2017 ACADEMIC YEAR

END OF SEMESTER EXAMINATIONS

**FOR THE DEGREE OF
BACHELOR OF BUSINESS MANAGEMENT**

EXAM CODE:- BBM 221

**COURSE TITLE:- ENTREPRENUERSHIP THEORY AND
CONCEPTS**

DATE:- 9TH DECEMBER, 2016 TIME:- 9.00A.M – 12.00NOON.

INSTRUCTION TO CANDIDATES

➤ SEE INSIDE.

THIS PAPER CONSISTS OF (2) PRINTED PAGES

PLEASE TURN OVER

Time: 3 Hours

INSTRUCTIONS: Answer Question One and any other Three Questions

QUESTION ONE: Compulsory (25 Marks)

Read the following Case Study and answer the questions that follow

Hiroshi Mikitani

When Hiroshi Mikitani decided, at age 31, to leave a good job at the Industrial Bank of Japan in Tokyo to start a company, he raised more than a few eyebrows. In Japanese culture, where the group is favored above the individual, entrepreneurship is a rare career choice. For someone like Mikitani, the traditional path is to succeed in school, find an entry-level job at a reputable company and then climb the corporate ladder by working long, gruelling hours. The job is a lifetime commitment and your success is tied inextricably to the company's success. Giving that up, for the uncertainties of a start-up venture is almost unheard of. Needless to say, in 1996, when Mikitani made his decision to quit IBJ and found Rakuten, his family, friends and colleagues were astonished.

What would shock them far more, however, was what Mikitani managed to accomplish. In Rakuten, a web-based shopping mall and Japan's answer to Amazon, Mikitani has built the world's third largest e-commerce marketplace, where more than 41,000 merchants sell their wares and more than \$15 billion in goods were sold in 2013. Rakuten employs 10,000 people and along the way, Mikitani became a billionaire and the third richest person in Japan. His skills as an entrepreneur became legend in his home country and around the world.

Given the challenges entrepreneurs face in Japan—a dearth of venture capital, daunting government regulations and the aforementioned business culture-- Mikitani's accomplishments are all the more remarkable. But his deeds have been noticed by a new generation and the rumblings of a startup culture are already being felt across Japan where a revival of entrepreneurship is underway.

Granted, Mikitani had a significant advantage. Having lived in the U.S. as a child while his father taught at Yale, and later getting his MBA at HBS, Mikitani got a first-hand taste of entrepreneurial fervor. As he wrote in a 2013 Harvard Business Review article, "I'd learned that it doesn't matter how big your employer is—what matters is how much value you yourself create."

Still, it literally took an earth-shaking event to convince Mikitani to launch Rakuten. The 1995 Hanshin earthquake, which devastated the Mikitani's native city of Kobe, affected him deeply and personally. His family still lived in Kobe and Mikitani rushed there to search for his missing aunt and uncle. Sadly, he found their bodies at a makeshift morgue in a local school and he was

deeply moved by the loss.

“I realized in those days how tenuous our existence is,” he wrote in HBR. “We have only one life, and it must be lived to the fullest—not someday, but now.”

At HBS, where Mikitani graduated in 1993, he began to formulate ideas for his own venture. Studying hundreds of cases of startup success, he was transformed. “It was in an HBS classroom that I first considered starting my own company,” he recalled. Had he not attended Harvard, he would never have followed that path, he said later.

In Rakuten, which means “optimism” in Japanese, Mikitani foresaw a way to revitalize Japan’s sagging economy by helping small business owners find a profitable presence on the Internet.

Unlike Amazon, which Mikitani likens to “a vending machine; a hyper-efficient supermarket with standardized offerings,” Rakuten is more like a bazaar “where the owners of many small shops curate the merchandise and interact personally with customers.” Starting out, Rakuten charged its merchants \$650 per month to set up a store and allowed them to customize their web presence rather than be forced to conform to a standard design. “We encouraged them to interact directly with customers because we’d found that merchants who told their personal stories and made a connection with shoppers did very well,” Mikitani said.

His belief that customers prefer this method has paid off handsomely. In certain categories, Rakuten became a forceful presence. For example, Rakuten merchants sell more than 10 percent of all the wine sold in Japan. They also sell cars, art and even houses. Food and clothing are also hugely popular categories. By allowing the merchants such freedom, Rakuten has tapped into a Japanese sensibility that is attracted to the individuality of each merchant. For example, golf, a hugely popular pastime in Japan, has tapped deeply into Rakuten. The individual golf courses offer the expertise of golf pros to pitch their stories and the result is that Rakuten has been used by customers to book more than 10 million rounds of golf a year.

The company operates in 13 countries and is focused on expanding its reach. Mikitani bought Buy.com, a U.S. shopping portal, in 2010 and other such digital retailers in Europe, Latin America and Asia. “Our mission is to be the number one Internet company in the world,” Mikitani said.

Questions

- a) From the above case study, identify the type of business Mikitani is involved in while clearly stating how he operates his business. Then examine his critical success factors in conducting such a business which made him rise to become a billionaire. **(10 marks)**
- b) Several scholars agree that a number of start-up ventures collapse before they reach maturity stage. Delineate some of the challenges that face entrepreneurs globally. **(10 marks)**

- c) Assuming you are Mikitani, share your thoughts on how to become a successful entrepreneur. (5 marks)

QUESTION TWO

- a) Innovation is key to entrepreneurship, explain (3 marks)
b) Giving relevant examples, explain the steps involved in an entrepreneurial endeavour/process. (12 marks)

QUESTION THREE

Many organizations today have realized the need for promotion of corporate entrepreneurship. In relation to the above statement, argue the case in support of corporate entrepreneurship. (12 marks)

QUESTION FOUR

- a) Outline parameters used to determine ease of doing business in Kenya. (3 marks)
b) Describe and explain legal requirements which an entrepreneur need to fulfil in Kenya in order to continue being in business. (12 marks)

QUESTION FIVE

- a) Justify why Main micro and macro environment factors that must be critically monitored in order to forestall imminent collapse of firms. (7 marks)
b) Giving relevant examples, explain the analogy 'entrepreneurs are born or made' (8 marks)

QUESTION SIX

- a) Describe neoclassical and economic theories of entrepreneurship. (6 marks)
b) Explain your understanding of entrepreneurship from the point of view of the below schools of thought. (9 marks)
(i) Entrepreneurial
(ii) Venture opportunity
(iii) Strategic formulation

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