

**UNIVERSITY OF KWAZULU NATAL  
SCHOOL OF ENGINEERING**

Subject module and code: **ENGINEERING ENTREPRENEURSHIP : ENEL4EEH2**

**October 2015 Examination**

**Duration: 120 minutes**

**Total marks: 120**

**Examiner: Mr D Engelbrecht**

**External Examiner: Mr B Harrison**

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**Instructions:**

- 1. This examination comprises two sections: You must attempt one essay question from a choice of two in Section A, and sixty multiple choice questions in Section B.**
  - 2. Answer Section A in the answer book provided and Section B on the MCQ answer sheet template. Use a soft pencil to mark your choices on the MCQ answer sheet.**
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**Answer ONE of the following two questions.**

### **Question One**

In 1992, Kaplan and Norton presented their Balanced Scorecard (BSC) to the world. The BSC was thought to represent a framework whereby both leading indicators as well as training indicators could be devised, implemented, and performance against these indicators measured. In theory, at least, the BSC sounds like a great way for entrepreneurs to measure performance against their business plan targets.

**Explain what a business plan is, and the benefits of deliberate, formal business planning. Discuss how the principles underpinning the balanced scorecard as a performance measurement system can contribute to the preparation and revision of a business plan. Conclude by commenting on the prospect of the BSC being implemented by typical small business operations, especially in light of the fact that corporate firms have found it very difficult to implement in practice.**

### **Question Two**

*In early August, Hillary Joffe (editor at large writing for Business Day) wrote that “at the launch of a report on SA’s cities a while ago, Deputy Finance Minister Mcebisi Jonas made the point that the private sector accounted for 80% or more of economic activity and investment in cities — and that the primary role city governments should be playing in economic development was to create an enabling environment for the private sector to invest. It may seem an obvious point to business people, but it is not obvious in government, where the attitude towards the private sector is ambivalent, at best, and where a former activist such as Jonas, by his own admission, finds it hard to concede that the private sector needs to lead — while the public sector needs simply to enable.”*

Joffe also alleges that “investment ... is also being deterred by a state more bent on regulating the private sector than enabling it.”

The abiding impression is that foreign investors, as well as so-called “big business”, and the SME sector, experience investing in private sector economic activity risk prone and administratively cumbersome, hence diminishing the prospect of business investment, either in growth or start-up activity.

In the SME sector, one might expect that the profile of the country’s labour force (from where entrepreneurs and SME business start-up activity are sourced) may find it very difficult to deal with administrative complexity and bureaucracy.

**You are required to explain the nature of the primary regulatory issues with which SME start-ups must comply and against this background, to discuss – with reasoned argument – what policy and operational changes you would recommend to reduce the negative impact of regulation on business start-up activity.**

## SECTION B

60 marks

Answer the following 60 multiple choice questions on the MCQ answer sheet using a soft pencil.

- 1 The process of using knowledge to solve a problem is the best definition of:
  - a. strategy
  - b. technology
  - c. innovation
  - d. invention
- 2 Discovery of a new idea is the best definition of:
  - a. strategy
  - b. technology
  - c. innovation
  - d. invention
- 3 Opportunities to create new products and processes typically emerge from changes in which of the following?
  - a. technology
  - b. politics and regulation
  - c. social and demographic factors
  - d. all of the above
- 4 Early adopters are usually the first to enter a market for a new product.
  - a. True
  - b. False
- 5 It is reasonable to agree with the statement that “investors often cite the \_\_\_\_\_ as their most important criterion in the decision to fund new ventures”.
  - a. strength of the business idea
  - b. strength of the industry the new firm is entering
  - c. strength of the new venture’s marketing plan
  - d. strength of the entrepreneur
  - e. financial position of the new venture
- 6 A(n) \_\_\_\_\_ is a favourable set of circumstances that creates a need for a new product, service, or business.
  - a. opportunity
  - b. idea
  - c. design
  - d. prospect
  - e. scheme
- 7 What type of marketing strategy involves serving customers in multiple industries at the same time?
  - a. vertical
  - b. horizontal
  - c. integrative
  - d. specialized

- 8 Scenario analyses provide a visual representation of decisions and their effects on outcomes, costs and risks.
- True
  - False
- 9 As part of which strategic action should you begin your operations on a small scale?
- seeking high returns
  - minimizing investment
  - maintaining flexibility
  - reallocating uncertainty to others
- 10 Which decision-making tool breaks a problem down into a series of different criteria and choices?
- analytic hierarchy process
  - net present value
  - internal rate of return
  - checklist
- 11 Understanding customer needs is a central part of developing new technology products or services because customers don't purchase product attributes – they purchase the satisfaction of their needs.
- True
  - False
- 12 \_\_\_\_\_ is the process of generating a novel or useful idea.
- Innovation
  - Vision
  - Creativity
  - Visualization
  - Entrepreneurship
- 13 Which of the following statements is an example of how to discourage creativity at the individual level?
- protect people who make honest mistakes and are willing to learn from them
  - speculate, be open, and build on others' ideas
  - deal with employees as equals to show that status isn't very important
  - punish mistakes or failed ideas
  - listen attentively in order to acknowledge and provide early support to ideas
- 14 A firm's \_\_\_\_\_ is a plan for how it competes, uses its resources, structures its relationships, interfaces with customers, and creates value to sustain itself on the basis of the value it creates.
- operations model
  - business plan
  - business model
  - tactical model
  - strategic plan
- 15 A(n) \_\_\_\_\_ is a written document that describes all the aspects of a business venture in a concise manner.
- contingency plan
  - tactical model
  - operations plan
  - business plan
  - business model

- 16 A firm's \_\_\_\_\_ describe(s) how it competes relative to its competitors.
- core strategy
  - customer interface
  - core competencies
  - business vision
  - product/market scope
- 17 An idea is a favourable set of circumstances that creates a need for a new product, service, or business.
- True
  - False
- 18 New ventures that are based on strategic value, such as valuable technology, are attractive, while those with low or no strategic value are less attractive.
- True
  - False
- 19 Venture capitalists identify five primary criteria for screening business plans:
- Market issues, Economic issues, Strategic leverage issues, Management team issues, Fatal flaw issues
  - Market issues, Economic issues, Competitive advantage issues, Management team issues, Fatal flaw issues
  - Economic issues, Competitive advantage issues, Strategic leadership issues, Management team issues, Fatal flaw issues
  - Market issues, Financial issues, Competitive advantage issues, Management team issues, Operations issues
- 20 Higher potential business can identify \_\_\_\_\_ for a product or service that meets an important customer need and provides high value-added or value-created benefits to customers.
- a market niche
  - an operating plan
  - suitable promotion activities
  - none of the above
- 21 Higher potential businesses are those where:
- Customers are reachable and receptive to the product or service,
  - customer have no brand or other loyalties.
  - The potential payback to the user or customer of a given product or service through cost savings or other value-added or created properties is one year or less and is identifiable, repeatable, and verifiable.
  - All of the above
- 22 Fatal flaws for new ventures include:
- markets which are too small, and have overpowering competition,
  - markets where the cost of entry is too high,
  - markets which are too small and where the cost of entry is too high
  - Both a. and b.
- 23 A sole proprietorship is a disadvantageous form of ownership for an accountant wishing to trade as an accountant
- True
  - False

- 24 Which of the following represents the most appropriate set of dimensions upon which to compare different types of legal incorporation of a new business
- Legal persona, number of owners and licence type
  - Legal persona, liability, control and authority
  - Legal persona, number of owners, control and authority and transfer of ownership
  - Legal prescriptions, number of owners and licence type
- 25 If a business has anything to do with making or selling food which can go off, health or entertainment activities, or selling alcohol, it needs a licence
- True
  - False
- 26 Market segmentation is the process of dividing a market into groups which have common needs.
- True
  - False
- 27 Market research involves the process of gathering and analyzing information about customer needs, preferences for products, and purchasing decisions.
- True
  - False
- 28 VAT is only paid by consumers or end users and not producers or distributors
- True
  - False
- 29 Income tax is only applicable to sole proprietorships and not to companies.
- True
  - False
- 30 The Labour Relations Act 66 of 1995 sets out the procedures to be followed at the termination of services in the Code for Good Practice, in \_\_\_\_\_
- Schedule 6
  - Schedule 7
  - Schedule 8
  - Schedule 9
- 31 In the event of a worker being unable to return for work due to disability the employer must investigate the nature of the disability but under no circumstances can the employer terminate the services of the worker.
- True
  - False
- 32 In terms of the Broad Based Black Economic Empowerment Act, the terms 'black company' and 'black empowered company' mean the same thing.
- True
  - False
- 33 The balanced scorecard approach is a framework for measuring performance based on four factors. These are 'innovation and learning', 'the customer perspective', 'the internal perspective' and:
- The key shareholder perspective
  - The external perspective
  - The financial perspective
  - The helicopter perspective

- 34 The Balanced Scorecard approach has been criticized for leaving out certain measures. One of these is:
- a. Financial measures
  - b. Employee satisfaction measures
  - c. Customer satisfaction measures
  - d. Technological innovation measures
- 35 The description of an organization's values, definition of its responsibilities to stakeholders, and identification of its major strategies is known as a:
- a. business-level strategy.
  - b. business model.
  - c. mission statement.
  - d. balanced scorecard.
  - e. None of the above.
- 36 The description of how different levels and employees in the organization must perform for the organization to achieve its goals is a:
- a. business-level strategy.
  - b. business model.
  - c. mission statement.
  - d. balanced scorecard.
  - e. None of the above.
- 37 What term is used to describe a set of performance targets and results that show how well an organization performed in meeting its objectives relating to its stakeholders?
- a. Business-level strategy
  - b. Business model
  - c. Mission statement
  - d. Balanced scorecard
  - e. None of the above.
- 38 If return on investment is a measure used on the balanced scorecard, under which perspective would it be listed?
- a. Financial perspective
  - b. Customer perspective
  - c. Learning and growth perspective
  - d. Internal business perspective
  - e. None of the above.
- 39 What term is used to describe the continuous process of measuring a company's own products, services, and activities against competitors' performance?
- a. Balanced scorecard
  - b. Business-level strategy
  - c. Benchmarking
  - d. Internal calibration
  - e. None of the above.

- 40 Which of the following is not a reason that worker involvement is important in an effective performance measurement system?
- a. Many managers believe that when workers take on real decision-making authority, their commitment to the organization and its objectives increases.
  - b. When decision-making responsibility lies with workers closer to the customer, workers are more responsive to customer concerns and can make informed decisions.
  - c. Giving decision-making responsibility to workers uses their skills and knowledge and motivates them to further develop those skills and knowledge in an effort to improve the organization's performance.
  - d. Workers are more likely to understand financial measures than nonfinancial measures.
- 41 Performance measures should be part of a \_\_\_\_\_ which connects measures for top management, different business units, middle and lower management.
- a. solid growth plan
  - b. consistent performance measurement system
  - c. performance appraisal system
  - d. none of the above
- 42 There is no significant interaction between information technology and human process in business performance measurement in entrepreneurial ventures.
- a. True
  - b. False
- 43 There is only limited applicability for systematic human resource management in entrepreneurial ventures.
- a. True
  - b. False
- 44 Human resource management is the process of \_\_\_\_\_ a talented and energetic workforce to support organisational mission, objectives and strategies.
- a. financially compensating
  - b. attracting, developing and maintaining
  - c. rewarding and punishing
  - d. attracting and rewarding
- 45 In entrepreneurial ventures the human resource management function does not need to place significant emphasis on developing the abilities of each employee and creating and maintaining morale.
- a. True
  - b. False
- 46 High performance work systems consist of strategically aligned human resource policies, practices and activities
- a. True
  - b. False
- 47 High commitment work practices include:
- a. job enrichment and job rotation
  - b. tactical measures designed to improve productive output
  - c. improved employee development, communications, and disciplinary practices



- 48 Which of the following is not usually associated with a highly motivated workforce?  
high quality work output  
a. high staff turnover  
b. high work satisfaction  
c. high staff involvement
- 49 Companies need to only consider the interests of the most influential stakeholders that influence customers' buying decisions when developing a new product or service.  
a. True  
b. False
- 50 A homogeneous market is one in which customers fall into a small number of groups on the basis of their needs.  
a. True  
b. False
- 51 The distinction between an "entrepreneur" and "small business owner" , if made, revolves around:  
a. really nothing; they are truly one and the same  
b. the risk taking or re-invention of a business vs. someone who "simply" starts a business or buys an existing one
- 52 A marketing strategy in which low-priced unconventional resources are used, often in a large system of networked social relationships, to express or encourage a manufactured goods or a plan is known as:  
a. right-time marketing  
b. demand chain  
c. services marketing  
d. guerrilla marketing
- 53 When every party has something that might be of worth to other party, it results in a(n):  
a. marketing activity  
b. exchange process  
c. market place  
d. money exchange
- 54 Raising consumer awareness of a commodities or product, produces sales, and makes brand reliability is:  
a. promotion  
b. location  
c. product  
d. decision
- 55 The most basic concept underlying marketing is that of \_\_\_\_\_.  
a. Products  
b. Wants  
c. Customer satisfaction  
d. Needs
- 56 Wants can become demands if they are backed by \_\_\_\_\_.  
a. Buying power  
b. Needs  
c. Products  
d. Consumer research

- 57 The statement that 'it costs five times as much to attract a new customer as it does to keep an old customer' means that firms should do what?
- a. Build lasting customer relationships
  - b. Advertise more
  - c. Provide quality products
  - d. All of the above
- 58 What is a marketing system?
- a. Transactions
  - b. Exchanges
  - c. A company and all its supporting stakeholders
  - d. The company and its actual or potential customers
- 59 Which of the following are key challenges for marketers in the 21st century?
- a. The call for more socially-responsible actions
  - b. Rapid globalisation
  - c. The growth of information technology and electronic marketing
  - d. The growth of non-profit marketing
  - e. All of the above
- 60 Why is social responsibility becoming more important for marketers?
- a. Due to pressure from customers for the development of higher quality products
  - b. Due to pressure from environmentalist groups
  - c. Customers becoming more informed and concerned regarding the circumstances of how and where products are manufactured
  - d. Due to a greater push towards human rights issues
  - e. All of the above