FEEDBACK TUTORIAL LETTER

1st SEMESTER 2019

TEST 2

Innovation Creativity and Entrepreneurship (ICE712S)
Question 1

1. Read the following case study and answer the questions that follow:

Namibian entrepreneur proves there is big business in recycling

Rent-A-Drum has a fleet of over 70 vehicles which collect recyclables from about 200,000 households a month.

Inadequate or non-existent municipal waste collection services in many African countries have resulted in large rubbish heaps alongside streets in most major urban centres. Much of the trash is made up of plastic bags and waste, which many scientists estimate could take over 1,000 years to biodegrade. Their fumes pose health hazards when burnt and those left to litter the street can clog up drains and pipes to aid the spread of disease.

Rent-A-Drum has managed to dominate the recycling market and create a large enterprise operating in four regions. The family-run company was founded in 1989 by Gys Louw, who saw an opportunity for a garden refuse collection business in Windhoek after the municipality stopped providing the service.

Today the company collects everything from household to medical to mining waste, and manages commercial, government and residential contracts. It has also set up branches in Walvis Bay, Swakopmund, Oshakati and Husab - and has a fleet of over 70 vehicles collecting recyclables from about 200,000 households a month.

In 2010 the business erected a material recovery facility - the first of its kind in Namibia - where about 2,000 tonnes of recyclables are sorted and baled monthly.

“The price of different [recyclable] commodities depends on what the market wants and where you are selling to, but plastic can sell for anything between 1,500 to 3,500 Namibian dollars (around US$105 - $240) per tonne,” says Louw.

Louw says 95% of the waste collected have to be exported to South Africa to be recycled, as the volumes of material are not yet large enough to support setting up recycling plants locally.

There is money in recycling’

“The recycling volumes are increasing every year as people become more and more aware of recycling and that you can earn money from it,” continues Louw.

“We are also putting up and working with small buy-back centres where you get a small entrepreneur in a community who picks up recyclables in his neighbourhood and we then collect that.”

Rent-A-Drum is also expanding its business to include manufacturing energy-producing products from organic material.

“So, for example, instead of using charcoal or wood we can supply [a product made from] waste that gives you a much higher calorific value, which is the heat value of something you burn.”

However, Louw notes the current economic landscape has placed strain on the recycling and waste management industry in Namibia.
“I think the greatest limiting factor at this stage is the growth rate of this country and the financial situation in the world. People don’t have money and if you don’t have money it becomes less important to spend on waste [management],” he highlights.

“I think the other thing is around legislation. There is no legislation enforced that you have to do a proper waste management or recycling programme.”

While Namibia has many German and foreign residents who bring in a culture of recycling, the company is investing in educating the local populace. For example, Louw has set up an organisation to spread awareness about the benefits of recycling within communities and schools.

Questions:

1.1 Mr. Gys Louw saw an opportunity for a garden refuse collection business in Windhoek. What is the difference between an idea and an opportunity? [4]

An idea does not necessarily automatically into an o or service opportunity for the end-user.

An opportunity is an idea that is attractive durable and timely and anchored in a product or service that creates or adds value.

1.2 Name the criteria’s that can be used to screen business opportunities. ...... [7]

- Industry an market issues
- Economics
- Harvest issues
- In the case of expensive
- Fatal flaw issues
- Personal criteria
- Strategic differentiation

1.3 In 2010 the Rent-A-Drum company erected a material recovery facility. Explain the different sources where the company could have obtained the finances to build such a big facility. ...... [8]

- Money invested by the entrepreneur, called equity financing.
- A loan from outsiders such as individuals, banks and lending institutions, called debt financing.
- Revenue generated from the sale of goods and/or services.
- Other: government support programmes, venture capital funds, companies, mortgages, long-term investments, leasing, etc.

1.4 Rent-A-Drum has a lot of vehicles (fixed assets). Identify the major issues related to the acquisition of physical resources. [6]

- It is important to plan the acquisition of resources carefully because this can be an expensive exercise (e.g. in the case of fixed assets) and timing can be crucial (e.g. in the case of raw materials)
- The location decision is important when acquiring fixed assets.
- The different benefits offered and types of coordination required should be considered when deciding between the many sources of raw materials and general supplies.
1.5 To buy fixed assets sometimes requires businesses to obtain a loan from the bank. The bank will require a business plan before it will approve the loan. List the other different situations that will require a different type of business plan.

- To attract shareholders or partners.
- To sell the business.
- To provide direction for management and staff in a new or existing business.
- To prepare the business for a merger with another business.
- To prepare the business for the takeover (acquisition) of another business.
- To help position the business in the market.

1.6 Explain how to adapt the standard business plan for use as a strategic document.

A well-prepared business plan should equally well be used as a strategic plan. In order to avoid the need for a separate strategic plan, the business plan should have the following qualities:

- It must be flexible in order to allow for changes in the environment.
- It must be realistic with regard to quantifiable projections, otherwise the staff will discard it as a pipe dream.
- It must include precise objectives and tie schedules.
- It must include all the implementation and control elements of the normal strategic plan.
- Top management must endorse it.