INNOVATION, CREATIVITY & ENTREPRENEURSHIP (ICE712S)

SUPPLEMENTARY TEST MEMO

Chapters 5, 6 and 9 which are units 4, 5 and 7 in the study guide

DATE: 17 May 2019

MARKS: 40

DURATION: 2 hours

This question paper memo consists of three (4) pages.

All questions are compulsory.
SUPPLEMENTARY TEST MEMO Chapters 5, 6 and 9 which are units 4, 5 and 7 in the study guide.

Question 1

1.1 What is intellectual property, and why is it considered an asset to a business? (3)

*Intellectual property refers to all creations or products of the human mind. It is considered an asset to a business because it can be used for commercial gain*

**NOTE:** Award 2 marks for the definition and 1 mark for the reason why it is considered a business.

1.2 An entrepreneur has legal commitments throughout the business’ existence. Identify some of the major legal aspects an entrepreneur will have to consider in the normal course of the business. (12)

- Concluding contracts
- Licencing
- Labour legislation governing employment
- Product liability
- Fair trade, competition and consumer protection
- Environmental legislation

**NOTE:** Each one carries 2 marks.

1.3 It is of utmost importance for entrepreneurs to network as this is essential in setting up and maintaining mutually rewarding and cooperative relationships with other persons or businesses that can offer critical support for the development and growth of a business. Identify the different steps involved in developing an effective network. (5)

- Identify people and organisations
- Seek criticism, advice and suggestions from these people
- Ask for advice
- Ask them what preparations are necessary
- Tell existing contacts later how they have helped
Read the case below and answer the questions thereafter.

**THE NEW DRINK**

Martin Shibambo and Caswell Chipape decided to start a business to manufacture noncarbonated soft drinks. They believed that their location, close to highly-quality water, would give them a competitive edge. Although Martin and Caswell had never worked together, Martin had 10 years of experience in the soft drink industry. Caswell had recently sold his firm and had funds to help finance the venture. However, the partners needed to raise additional money from outside investors. They spent almost 20 months developing their business plan.

The executive summary of their business plan reflected their excitement. They were enthusiastic about the increasing upswing in the demand for drinks that have nutritional value and use environmentally safe ingredients. They also expressed a passion for using waters that come from deep, clear springs free of chemicals and pollutants. Furthermore, the new drink would produce a full line of sparkling fruit drinks, flavoured waters, and sports drinks of the highest quality and purity with the same flavourful attraction as soft drinks, but instead it would use healthy fruit juices, natural sugars and the purest spring water which were in line with what was offered in the ‘New Drinks’ market.

With the help of a well-developed plan, the two men were successful in raising the necessary capital to begin their business. They leased facilities and started production. However, after almost two years, the plan’s goals were not being met. There were cost overruns, and profits were not up to expectations. As a result they are now considering creating a strategic document in their business plan.


a. It is not an easy process to select the most appropriate business plan for a specific business, as a wrong choice could defeat the whole purpose. Briefly explain the guidelines that can assist the entrepreneur to select the most appropriate business plan. (10)

- **Understand exactly how the new or existing business is going to operate**
- **Understand the exact purpose of the specific plan**
- **Study and understand the different types of business plans from which you can choose**
b. Since Martin and Caswell intend to create a strategic document for their business, they will definitely have a section addressing that in their business plan. In relation to the case, advise them about any five specific aspects that they should include in that section of their business plan.

A vision and Mission statement
Clearly stated objectives for achieving the mission
Competitive analysis
Statement of competitive advantage
Strategy for reaching objectives
Action plan for implementing the strategy
Controls to monitor performance
Plan to implement corrective action, if necessary

NOTE: Award 1 mark for each aspect and 1 mark for applying the aspect to the case.

40 MARKS