



“Investing in Africa’s future”

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE
(CBPLG)**

NMMS401: ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

END OF SECOND SEMESTER EXAMINATION

MAY 2021

LECTURER: MR T. MASESE

DURATION: 7 HRS

INSTRUCTIONS

Answer **ONE QUESTION** from this paper.

Each question carries 60 marks

DO NOT repeat material.

Write legibly.

Credit is given to application of theory and practice

Question One

Read the following case study and answer the case questions below

Case Study: Jack McCarthy, Founder, UltimateUglyChristmas.com



Figure 1: Ultimate Ugly Christmas founder Jack McCarthy wearing an ugly Christmas sweater

For Jack McCarthy, success has never looked so . . . atrocious. The teenager started his business, UltimateUglyChristmas.com, as a fluke, as Jack's older sister prepared to participate in an Ugly Christmas Sweater 5K "fun run" for charity in 2008. Once the 5K was over, she decided to sell her eyesore on eBay. Jack, then a middle school student, was the model for the picture. Much to the siblings' surprise, a bidding war began. The winning bid was \$50 + express shipping, a 450% profit margin on a \$5 throwaway garment picked up at Goodwill.

Encouraged by his sister's success, the following Christmas seasons, Jack picked up more and more sweaters, hawking them on eBay for similar margins. Each year demand grew, profits ballooned, and he began to realize he was onto something. As a high school junior, in 2011, McCarthy started UltimateUglyChristmas.com. That year he sold a "few hundred" and even picked up some national TV news coverage. "This is when I knew it was more than a little side income," he says.

McCarthy admits that in the early years, he knew nothing about business (he went on to study the subject at Babson College in Massachusetts), and looks back on those early experiments

as “market validation.” “I was naïve,” he said. “I started selling and went from there. After the success in 2011 is when I learned many of the things that helped to grow the business—internet marketing, search engine optimization (SEO), graphic design, accounting, etc.”

Indeed, McCarthy had stumbled onto a growing niche. At the time he listed the first sweater in 2008 on eBay, there were only about 30 competing items, but since 2014, these have since grown to over 30,000. The ugly sweater party trend got its start in Vancouver, Canada, in the early 2000s, according to *Ugly Christmas Sweater Party Book: The Definitive Guide to Getting Your Ugly On* by Brian Miller, Adam Paulson, and Kevin Wool. In 2008, ugly sweater parties earned a coveted spot on the tongue-in-cheek website StuffWhitePeopleLike.com, a reflection of their ascension into mainstream consciousness. “I love ugly Christmas sweaters,” says McCarthy. “I think they are hilarious and fun.” The sweaters on his site are all vintage, sourced from thrift stores, and thus generally one-of-a-kind. “It’s a treasure hunt finding inventory.” The McCarthy’s are an entrepreneurial family. Jack’s sister launched a social media marketing agency after college, and his father started a financial planning investment advisory firm when he was young. “I watched him grow it over the years and wanted to create something of my own like that,” says Jack. His family was his main “network” in the early days: His mother helped with “operational things” (she still runs the UltimateUglyChristmas.com warehouse — the family basement) while his father helped with “accounting/legal/general business advice.” Jack’s sister weighed in with social media and Internet marketing ideas. SEO has been key to growing his reach.

While studying business in college, McCarthy’s goal was to grow and formalize that network, seeking out the ideas and expertise of fellow entrepreneurs, VCs, and professors. Though he describes himself as thriving on pressure, competition from the “big guys” is cause for concern. “Since it’s an internet business,” McCarthy says, “all it takes is Amazon (or another big site) to become aggressive in this market and my site will fade into second/later pages of Google. This could really hurt my business; it has others in the industry.”

Case Questions

- a. Since the idea of ugly Christmas sweaters already existed, what key factors led to Jack McCarthy’s turning it into a business opportunity? What type of a business idea is this? Explain your answer **(5 marks)**
- b. What are some advantages a teenager might have over an experienced adult when it comes to recognizing and implementing a business opportunity? **(5 marks)**

- c. If you were in McCarthy's position as a business student who already headed a highly successful enterprise, what would your career goals be? Explain the reasons for the goals you propose **(10 marks)**
- d. Entrepreneurs like McCathy are either born or made and they have certain characteristics that make them prone to entrepreneurial mindsets. Discuss this statement using relevant examples **(30 marks)**

Question Two

1. Suppose you have been asked by the National Youth Council to present at a three-hour workshop on the entrepreneurship process. You who are thinking about starting their own businesses but do not currently have an idea about how to start a business will attend the workshop. In not more than a 30-slide PowerPoint explain the entrepreneurial process to your audience. In your presentation include brief elements of the following:
 - a. Motivation why youth should consider entrepreneurship as a career.
 - b. Opportunity recognition- explain what an opportunity is, qualities of good opportunities, approaches, sources and ways to generate business ideas and classification of those ideas
 - c. Factors—personal, sociological, organizational, and environmental—that influence the birth to a new enterprise and influence how it develops from an idea to a viable enterprise
 - d. Conducting a feasibility analysis of their ideas- brief outline of how feasibility analysis is conducted and you can end up concluding that an idea is feasible
 - e. Business modeling and its elements
 - f. Brief outline on how to prepare a business plan for their idea

(60 marks)

Question Three

You have been asked to develop an ethics and integrity policy for Triple D, a newly established entrepreneurial venture. Define entrepreneurial ethics and integrity and explain the benefits to small businesses of operating ethically and doing business with integrity. Prepare the ethics and integrity policy for Triple D P/L outlining the key elements of the policy **(60 marks)**

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