



Uva Wellassa University

Faculty of Management

Degree of bachelor of Business Management in Entrepreneurship and Management

Year 2 Semester I – Examination December/ January 2009/10

EMG 252-3 Small and Medium Enterprises Management

Answer all questions

Time : 30 minutes

Total Marks : 20 marks

Each question has one correct answer only. Indicate it by underlining the correct answer.

Index No:

Part C – Essay Questions

Answer any four questions including question No.1.

Total marks allocation: 50 Marks

1. Read the following case study and answer the questions.

Mrs. Weerasooriya owns a small business which supplies materials for construction industry. She took three years from the startup to grow to a viable size of around Rs: 500,000 sales per year with some profit element too. In the fourth year sales had levelled off due to a fundamental change in the market place. Therefore she decided to pay more attention to developing commercial-sector customers, where her technology base might be in demand. She had found there is a huge demand in the commercial sector for constructing materials. Therefore she decided to cater to this customer base.

However she was in need of extra money to buy new equipments for her factory. Her market strategy was successful and sales climbed to over Rs: 600,000 by the end of the fifth year. Unfortunately she then ran out of money. The growth put increasing strains on her financial resources and systems. Debtors grew as a percentage of sales and up to date, reliable accounting information was very hard to re-establish control of her cash flow and put in some systems to cope with a business that was no longer very small business.

In the sixth year she spent a lot of time to increase efficiency of the company. High attention was paid to the financial matters, operating systems and quality control as customers' demand was very high. She had little time for marketing but sales increased to over Rs: 700,000 by the end of the sixth year.

In the year seven the problem was the time between arousing a customer's interest and receiving and fulfilling orders was a long one in her business.

She had spent more time internally but less externally and orders she got were very few. Sales showed no real increase over the prior year. She redoubled her marketing efforts, spending long hours travelling to see customers. After a year, the business seemed to be matured and sales began to grow healthily in year eight.



It was at this stage Mrs. Weerasooriya sat down to review where she was going. She can not understand what is going on. At the same time she is having an idea to grow the business by another R: 100,000.

- i. Draw up a life cycle graph for Mrs. Weerasooriya's business in accordance with the information given in the case study and identify the problems faced by Mrs. Weerasooriya in each stage of the lifecycle.
(12 marks)
 - ii. If you were asked to consult her, what are the strategies that you are going to recommend her? Mention the specific activities she should adopt.
(8 marks)
- 2.
- i. Discuss the importance of successor planning giving special reference to the leadership transferring process in a family business.
(5 marks)
 - ii. "The culture of a family business is different from other businesses" culture. Briefly explain the culture of a family business
(5 marks)
3. "The way in which an owner manager exercises control over his workforce is not just depended on the personality of the owner manager but also the nature of employer and employee relationship. Based on the type of employer and employee relationship, various types of management control can be seen in SMEs. Discuss.
(10 marks)
4. "Relationship marketing" in SMEs means building strong relationships with customers only. To which extent do you agree or disagree with this statement?
(10 marks)

5. In order to overcome the marketing problems faced by the owner manager, the best alternative that he has is to adopt "General Marketing Principles". Do you agree with the statement? Justify your answer.

(10 marks)

6. Being small in nature and struggling for survival make SMEs to compromise ethical standards. In such a context, how an owner manager can build an ethical business environment within his firm?

(10 marks)

