



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATION FOR:

MASTERS OF BUSINESS ADMINISTRATION

BSM 5101 : MANAGEMENT OF INNOVATIONS

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2016

PAPER TWO

TIME: 3 HOURS

DATE: Pick Date Select Month Pick Year

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt Choose instruction. **Question one Compulsory and any other THREE questions**

Do not write on the question paper.

Question ONE

Read the following **case Study** and answer the questions.

(a) Outline how the mobile money players can increase their current penetration in the East African market through technology innovations. **(20 marks)**

(b) Discuss ways in which mobile money players can achieve better technology innovations **(20 marks)**

Innovation: Mobile Money and Financial Inclusion

The past few decades have brought more progress to mankind than the last few centuries. In 1990, 60% of the total population lived in extreme poverty. Today the share is below 10%. If poverty reduction continues at the same pace we

will be able to eradicate extreme poverty within one or two decades. Globalization, connectivity and economic policy reforms in China, India and many other countries have been transformative in reducing poverty.

The path towards the relative prosperity of middle-class life, we need to continue to increase inclusion in our societies. One key challenge is financial inclusion.

Almost 2 billion people, 40% the world's adult population, lack one of the most basic amenities of modern life: a bank account. They are among the world's poorest, struggling to obtain the money they need to feed their families. This is most obvious in fragile states and conflict and crisis situations: financial sectors function less effectively and vulnerable people need access to delivered financial aid just to stay alive. The International Finance Corporation, the World Bank's investment arm, estimates that more than 200 million formal and informal enterprises in developing economies are either unserved or underserved in terms of their financing needs.

The United Nations has, jointly with the World Bank and the World Economic Forum, launched a commitment for Universal Financial Access by 2020. It covers 25 countries and almost 75% of the world's financially excluded. Various actors, both public and private, have committed to creating approximately 1.5 billion accounts for un- and under-banked people.

60% of the population has a bank account

There has been substantial progress. It is a challenge that 2 billion adults remain without an account, but we should also note that only three years ago, 2.5 billion adults were unbanked. The number of people worldwide who have an account grew by 700 million between 2011 and 2014. Now 60% of the world's adult population has an account; up from 50% in 2011.

The key factor in our ability to make progress is connectivity. Between 2010 and 2015 the number of mobile subscriptions increased by 300 million. Swedish mobile operator Ericsson is forecasting that another 1.6 billion subscriptions will be added by 2020 and an additional 3 billion people will have access to a smartphone in the same timeframe. Increased connectivity is an opportunity in terms of increased access, not only to financial services but also to health, education and many other areas.

Connectivity through innovation is important

To understand why financial inclusion is important you need to go beyond the numbers. A women in Tanzania, working on a local market, told me how the M-Pesa system for mobile financial services has transformed her life. Before it, she had to walk for one and a half hours through rough terrain with her cash in her pocket to get to the lake and buy fish. When she arrived, the fishermen often said that the catch had been unusually low and that prices unfortunately were very high. With no alternative, she had to pay up. Today she can call the fishermen and haggle over prices, transfer payments via her mobile and send a boy for the fish. No longer does she have to walk alone for one and a half hours. Her money is safe online and she can pay securely; she can spend it, as women so often do, on the health and education of her children.

To be able to transfer and handle cash is taken for granted in advanced countries. In many countries it is a transformative step forward.

Another example. A farmer outside of Arusha can use an application to get weather forecast, to see the daily crop prices and even to pool crops with the neighbours to arrange transportation to the market. Small loans to buy seed are possible to get and money can be safely stored. No more can traders at the market take advantage of the farmers lack of price

information and inability to get transports arranged. We can already see how farmers adopt and gradually switched to more high yielding crops. Poverty reduction will always be accelerated when small farmers in rural areas start to get a head.

Karim Khoja, CEO of Roshan, a telecom operator in Afghanistan, was speaking at the [GSMA World Mobil congress](#) last week in Barcelona: he told the story of a little girl with a brain tumour. The tumour was large and it was thought the girl would not survive the long and bumpy trip to the central hospital. Via tele-medicine, a team guided the local doctor and his nurses to perform a long and complicated operation. The surgery was successful and the girl survived.

3 lessons from mobile banking pioneers

There are many different examples of how technology and connectivity is transforming lives. There are also a few lessons to be learned from the countries that have blazed a trail ahead.

- *The first is that political leadership is necessary. The successful M-Pesa system in Kenya and Tanzania had strong backing. The governments and the central banks were the energy behind the implementation. The banks were reluctant initially because they thought the telecom operators wanted to compete with them and provide banking services. Today we can see that this has not been the case. The transfers in the M-Pesa system start in one bank account and end in another bank account. The banks can reach clients that never before had access to the financial system. When people experience the convenience of storing and transferring money, they start to consider saving opportunities that are far more efficient than a hidden coffee can.*
- *Another key takeaway is that it is necessary to bring all stakeholders together. The banks, the financial supervisors, the telecom companies and the telecom regulators have different starting points and work within different frameworks. To facilitate progress it is necessary to get the stakeholders to communicate and remove obstacles together. By understanding each other better, problems can be avoided and progress can be made faster.*
- *A third lesson is that the international community has an important role to play. The donor community can be crucial in paving the way for progress. The Bill & Melinda Gates Foundation, for instance, played a crucial role in getting the M-Pesa system off the ground. In the case of Roshan in Afghanistan, the support from the Aga Khan Development Network has been indispensable. MasterCard and Visa have also been important partners.*

The fact that the financial sector and telecom operators can make a difference is important for the whole industry. Both banks and telecom operators struggle with public trust issues. Mobile money contributing to financial inclusion is one way of showing that these sectors play a key role in improving the lives of ordinary people.

Question TWO

(a) Explain the differences between invention and innovation (**10marks**)

(b) What are the characteristics of innovation (**10Marks**)

Question THREE

Outline the 8 step process of new product development (**20 marks**)

Question FOUR

(a) Highlight the different types of innovation (**10 marks**)

(b) What are the key features of perspectives on Management Innovation (**10 marks**)

Question FIVE

Discuss ways of creating change in Organisational Culture through Innovations. (**20 marks**)

Question SIX

(a) What are the main challenges facing the innovation process in organizations (**10 marks**)

(b) How can these challenges be overcome. (**10 marks**)