



UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT & FINANCE

Postgraduate & Mid-career Development Unit

Master of Business Administration 2015-2017 (Weekend) Programme (Semester III Second-half)
Examination – July 2017

MBAGM 614 – Entrepreneurship and Small Business Management

Three (03) Hours

Answer **Five (05)** Questions in all, **including Question 1** and selecting **at least two (02) questions** from each part.

Answers for **Part-I and Part-II** should be provided **in two separate answer booklets.**

The paper has seven (07) questions printed on four (04) pages.

Part - I

1. Read the following case and answer the questions given at the end of it.

“SOUTHWEST AIRLINES: POSITIVELY OUTRAGEOUS LEADERSHIP”

When Southwest Airlines first taxied onto the runway of Dallas’s Love Field in 1971, industry gurus predicted it would be a short trip to bankruptcy for the Texas-based airline. But the first short-haul, low-fare, high frequency, point-to-point carrier took a unique idea and made it fly. Today, Southwest Airlines is the most profitable commercial airline in the world.

But it took more than a wing and a prayer for Southwest to soar to such lofty altitudes. It took a maverick spirit. From the beginning, Southwest has flown against convention. Southwest’s fleet of 737’s—the newest and safest in the industry—still makes only short hauls to 45 cities. The average flight distance is 394 miles. The airline does not offer baggage transfers or give seat assignments, and the only food it serves passengers is a bag of peanuts. But what Southwest may lack in amenities, it seems to more than make up for in what would be called positively outrageous service.

"FUN" is the company's mandate! Leading the way is founder and CEO Herb Kelleher. "Herb Kelleher is definitely the zaniest CEO in the world," Libby Sartain, vice president of Southwest Airlines' People Department, admits. "Where else would you find a CEO who dresses up like Elvis Presley, who's on a first name basis with 20,000 employees, and who has a heart big as the state of Texas? His style has fostered an atmosphere where people feel comfortable being themselves—where they would have a good time when they work."

Legendary for his love of laughter, Kelleher calls his unique leadership style *management by fooling around*. "An important part of leadership, I think, is enjoying what you're doing and letting it show to the people that you work with," Kelleher reveals. "And I would much rather have a company that is bound by love, rather than bound by fear." Kelleher's philosophy has been enthusiastically embraced by a workforce that is 85 percent unionized. "Southwest's culture is designed to promote high spirit and avoid complacency. We have little hierarchy here. Our employees are encouraged to be creative and innovative, to break rules when they need to in order to provide good services to our customers," Sartain explains. "If you create a type of environment that a person really valued and they feel they make a difference, then they are going to be motivated. That's the type of environment we create here for our employees," Rita Bailey, Southwest's director of training adds.

Beginning with its new employee orientation, the airline nurtures intrapreneurship by grooming a work force of leaders. "You can do whatever it takes to keep this airline on top," an orientation instructor tells his class of newly hired staffers. At Southwest Airline's University for People, future managers and supervisors attend a course titled "Leading with Integrity." Through a series of role-playing exercise, employees learn that trust, cooperation, mutual respect, and good communication are components of success. "An organization that has esprit that does things cooperatively and voluntarily rather than through coercion, is the most competitive organization you can have," Kelleher asserts. These guiding principles have earned Southwest Airlines the distinction of being named one of the ten best companies to work for in America.

Employees are valued and recognized in many ways for their achievements. Perhaps the most prestigious is Southwest's "Heroes of the Heart" award. Each year, one outstanding department has its name tattooed on a Southwest Jet. Southwest was the first airline to offer stock options to its employees. Today, employees own approximately 10 percent of the company.

In the lobby of Southwest Airline's corporate headquarters is a prominent tribute to the men and women of Southwest. It reads: "The people of Southwest Airlines are the creators of what we have become—and what we will be. Our people transformed and idea into a legend. That legend will continue to grow only so long as it is nourished by our people's indomitable spirit, boundless energy, immense good will, and burning desire to excel. Our thanks and our love to the people of Southwest Airlines for creating a marvelous family and wondrous airline.

(Source: Donald F. Kuratko et al., (2007), Entrepreneurship theory process and practice, Thompson South Western Publication)

- i. Discuss some of the factors needed to engineer the 'corporate entrepreneurial mindset' that Southwest Airlines already exhibit. (06 Marks)
 - ii. Briefly explain what kind of innovations has been introduced to create the corporate entrepreneurship at the Southwest Airlines. (08 Marks)
 - iii. How has Herb Kelleher structured an intrapreneurial climate favorable to entrepreneurial activity? (10 Marks)
 - iv. Recognize the intrapreneurial leadership characteristics described by the southwest airlines management team. (08 Marks)
- (Total 32 Marks)**

2. "The overview of profit confuses the connotation of social enterprise for many of us. Justification of social motivations gets challenged when the social enterprise moves from its early struggle to generate significant profits. The monetization of these profits can sometimes cause sudden excitement and repercussion."

- i. Can not-for-profit organizations operate like an entrepreneurial entity? Explain your answer with suitable examples. (08 Marks)
- ii. Discuss how the public sector organizations convert their vision to commercialize their activities. Give examples. (09 Marks)

(Total 17 Marks)

3. i. Fernando, a product development expert at Lional company, plans to write a letter to his consultant asking for a loan. The determination of the loan will be to start a firm to sell an environmentally friendly line of soap that is fit for simple operation services. Fernando has spent the past few years developing the product in his extra time, and wants to persuade his consultant that the idea characterizes an eye-catching business opportunity. In your judgment, what information and insights about the product to be included in the letter mentioned above.

(10 Marks)

ii. Make a list of your strong and weak entrepreneurial qualities. Select two qualities in which you are weak and explain how do you manage the opportunity on the new business ideas as mentioned in above question (3 i). Explain your answer based on the experimental learning you gained from the relevant classroom assignment.

(07 Marks)

(Total 17 Marks)

4. Presume that you are asked to serve as an evaluator for a local business plan competition. In preparing for the competition, the organizer has asked you to write a very brief article titled "What the Judges of Business Plan Competitions Look For" that the organizer plans to communicate to the entrepreneurs who enter in to the competition. Write an article to accommodate this request.

(17 Marks)

Part - II

5. "Entrepreneurship is positively correlated with economic development of a country." Present your views on this statement using theoretical and conceptual models and related literature.

(17 Marks)

6. Define SMEs and describe the challenges faced by this sector and suggest sustainable remedial actions specially focusing on aspects related to training and support services.

(17 Marks)

7. Describe the nature and issues of family businesses and explain how strategic planning can ensure sustainability and growth.

(17 Marks)