PAN AFRICA CHRISTIAN UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

END OF TRIMESTER EXAMINATION

DEPARTMENT: BUSINESS
COURSE CODE: MBA508 -ENTREPRENEURSHIP

EXAM DATE:

TIME: 3hrs

INSTRUCTIONS

- **Read the Case below and answer the questions that follow**
- Read all questions carefully before attempting.
- Answer **any four questions only**

STEVE HAFNER

With the growth of new technology and the Internet, there has been a plethora of new start-ups and success stories of entrepreneurs. One of these entrepreneurs, Steve Hafner has been a significant contributor to the development of new Internet technologies providing consumers with improved services in the travel industry. His ability to understand market opportunities and build a successful business plan and model to penetrate this market has made him into a multibillionaire. After graduating from Dartmouth College in 1991, Steve considered two career paths: banking and consulting. He chose to go to work for the Marketing Corporation of America as a consultant and stayed there for four years.

Most of his time there was spent supporting executive consultants and he decided that he needed to go back to graduate school to learn business management and marketing where he could then apply additional skills to the consulting arena. Upon graduation at Northwestern University in 1997, he then went to work for the Boston Consulting Group as a strategy consultant. While employed there for the next three years, he saw the significant changes that were occurring in the e-commerce business sector. Hafner grew up living in multiple locations such as Peru, Guatelama, Costa Rica, and Texas. With his constant traveling, he became aware of how difficult it was to buy airline tickets, hotel rooms, or rent automobiles. To book any of these services, it was necessary to check each airline site, hotel site, and automobile rental site. Finding the best prices and options took a lot of time on the Internet. This gave him the idea of developing an Internet site where a consumer could with one click choose any or all of these travel services.

With the assistance of a team of individuals and a newly developed business plan and model, Orbitz was launched in November 1999. Here, consumers could explore multiple airlines, hotels, and car rentals in order to find the best price. The company quickly grew in size from a handful of individuals to 1,600 and went public in 2001 at a market value of $1.4 billion. Hafner continued at Orbitz for three years before leaving. While there, he was an integral part of the implementation of the company's business strategy as well as assuming responsibility for the company's business development, advertising sales, and marketing.

His success at Orbitz still left him disappointed in the travel industry. All of the revenue from Orbitz was earned only when a customer purchased from the site, which was only between 2 and 6 percent of the time. One day while having dinner with a number of colleagues in the Web travel business discussion centered on the weaknesses of the existing travel sites such as Orbitz, Expedia, and Travelocity. They imagined what it would be like to have a site that would give the airlines and other travel services leads instead of selling tickets. One site that combined all of the existing travel sites that would collect on a pay per click basis as Google did would be ideal. The idea would be to help consumers get connected and not actually sell any products. Within weeks, Hafner and his cofounder Paul English each contributed $1.5 million and with their plan for Kayak raised an additional $15 million in capital (AOL became an investor as well).

Key engineers from major technology industries were then hired to develop the technology for the implementation of Kayak. Soon the company was launched in 2004. The company quickly grew and by 2005 had generated $3.6 million in sales. Within 18 months, the company had more than 10 million visitors to its site. By 2006, the company was a leader in the travel industry and was awarded the best site for travel deals. In 2012, Hafner and his partners sold the company to Priceline for a significant payout. Priceline had been courting Kayak for some time but until the company went public in 2012, at a market evaluation of $1.8 billion, the determination of a market value had been difficult. At this point, Priceline, given the IPO results, proceeded with the purchase of Kayak. Hafner is still the CEO of Kayak and the company maintains its individuality.

Priceline is more of a holding company and owns a number of booking companies that made the sale an excellent match for Hafner and his partners. Hafner continues to pursue new opportunities as he intends to meet the goal of consolidating all aspects of a consumer's travel under one umbrella, using the most up-to-date technology possible.

Required;

QUESTION ONE

a) Citing examples from the case, explain any two factors that motivate people to become entrepreneurs (4marks)
b) Elaborate any three qualities of a business opportunity that could have aided Steve in coming up with his business ideas (6marks)

QUESTION TWO

a) Explain four common myths about entrepreneurs (2marks)
b) From the above case, discuss four feasibility analyses that Steve could have carried out initially to help him advance his entrepreneurial ambitions (8marks)

QUESTION THREE

a) Discuss the relevance of sellout in Steve's case as a method of raising funds for enterprise growth (4marks)
b) Explain the purpose of a business plan and its relevance in aiding Steve deal with employees and other stakeholder interests (6marks)

QUESTION FOUR

Discuss any five sources of funds and their appropriateness to Steve's business in financing his venture (10marks)

QUESTION FIVE

Citing examples from the case, discuss any five growth challenges that Steve is likely to face as he grows his venture (10marks)

QUESTION SIX

Citing relevant examples, discuss the changing demographics in entrepreneurship under the following subheadings;

a) Women entrepreneurs (2marks)
b) Young entrepreneurs (2marks)
c) Senior entrepreneurs (2marks)
d) Minority entrepreneurs (2marks)
e) Social entrepreneurs (2marks)