UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Fourth Year Examination (External) – 2019

July – 2025

BCOM E 4055 - Family Business

No. of questions: Five (05)

Answer any four (04) questions. **Time: 03 hours**

Question No. 01

Read the case study and answer the questions given below.

Golden Bakers was established in 2003 in Kandy by Mr. Ruwan Perera. He worked as a hotel pastry chef. The bakery began as a small family-run outlet and quickly gained popularity for its quality and affordability. At present, Golden Bakers expanded with 85 employees, 7 branches across the Central Province. It has become the central production facility and logistics network. The following are the details also related to Golden Bakers.

Ownership Structure:

- Mr. Ruwan holds 60% of the company's shares.
- 20% is owned by his wife, Mrs. Nilu Perera, who handles finances part-time.
- The remaining 20% is held by a silent investor and family friend, Mr. Roshan Liyanage.

Involvement of Family Members:

- Their eldest daughter, Harshani (28), a marketing graduate, recently joined the company's branding team.
- Their son, Naveen (25), works as a software engineer in Colombo and is not involved in the business.
- Mr. Roshan is not involved in day-to-day decisions but attends quarterly review meetings.

a). Based on the details provided, would you classify Golden Bakers as a family business? Justify your answer.

(08 marks)

b). How much influence does the founding family have in ownership and management?

(08 marks)

c). Explain the Systems theory and how it applies to the context of family business..

(09 marks)

(Total 25 marks)

Question No. 02

Silva Group of Companies is a Sri Lankan family-owned conglomerate operating in three sectors: construction, real estate, and hospitality. The business was founded in 1975 by Mr. Dayananda Silva, who built the company from a small masonry firm into a mid-sized enterprise employing over 600 people.

Mr. Silva's motto, "Respect, Discipline, and Loyalty", became the informal mantra of the organization. Over the years, this culture shaped how employees behaved, how decisions were made, and how conflicts were resolved.

At present, the company is lead by the second generation as follows.

- Anura Silva (eldest son) is the Managing Director.
- Chathurika Silva (daughter) oversees the CSR and HR units.
- Manjula Silva (youngest son) is a silent shareholder, not involved in operations.

The company still emphasizes loyalty, long-term employment, and internal promotions, and many of the current managers have been with the firm for over 20 years. With competition growing and younger employees leaving for multinational firms, Anura is concerned. Several consultants have warned that the "traditional family-first culture" may be limiting innovation and performance.

a) Explain what do you mean by family business culture emphasizing the cultural characteristics of Silva Group of Companies.

(08 marks)

b). Explain the role of family culture in shaping organizational behavior at Silva Group of Companies.

(08 marks)

c). Discuss the benefits and challenges of strong family-oriented cultures.

(09 marks)

(Total 25 marks)

Question No. 03

Read the case study and answer the questions given below.

Lakmini Textiles (Pvt) Ltd, founded in 1985 by Mr. Mahinda Jayasekara in Kurunegala, Sri Lanka, grew from a small handloom operation to a leading local textile supplier. With nearly 300 employees and contracts with both local and export-oriented garment manufacturers, the company is now at a crossroads.

Mr. Jayasekara, aged 68, is considering retirement due to health concerns. However, no formal succession plan is in place.

He has three children and their details are as follows.

- Tharaka (38) – MBA graduate working as a senior executive in a multinational in Colombo.
- Ishara (35) – Actively involved in the company, currently the Marketing Manager.
- Malintha (30) – A software engineer abroad with no interest in the business.

Mr. Jayasekara's younger brother, Mr. Ranjith, has been the General Manager for over 20 years and assumes he will take over the business. Employees respect him but worry about his traditional approach. As the founder plans to retire, the company faces uncertainty in leadership transition. There are no written policies on succession, and family members have differing levels of interest and involvement. This creates tensions among the family and confusion among employees.

a). Explain the importance of succession planning in a family business.

(08 marks)

b). What are the main challenges Lakmini Textiles faces regarding succession?

(08 marks)

c). Who is the most suitable successor? Justify your answer.

(09 marks)

(Total 25 marks)

Question No. 04

a). Explain the risk management in family businesses, giving suitable examples.

(08 marks)

b). Explain how risk matrix can be used in assessing different types of risks related to family businesses.

(08 marks)

c). Explain different strategies available for managing risks.

(09 marks)

(Total 25 marks)

Question No. 05

Write short notes on the following.

a). Generic Strategies in family businesses

b). Sources of finance for family businesses

c). Challenges faced by family businesses

d). Family council

e). Family roles

(05 marks each)

(Total 25 marks)