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UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION 2005

TITLE OF PAPER:	**STRATEGIC MANAGEMENT AND BUSINESS POLICY**
DEGREE AND YEAR:	BCOM V
COURSE NUMBER:	BA 511
TIME ALLOWED:	**THREE** (3) HOURS

INSTRUCTIONS: 1. **THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**

2. **THE CASE STUDY SECTION (A) IS COMPULSORY**

3. **ANSWER ANY THREE QUESTIONS FROM SECTION B.**

Note MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A: THIS SECTION IS COMPULSORY:

LET'S GET REAL

In early 1997, Telecommunications Inc., the biggest cable TV provider with 14 Million subscribers, announced that its much heralded vision of transforming itself into an information superhighway and multimedia powerhouse providing cable television, telephone, Internet access and an array of futuristic data and telecommunication services to all customers in its cable franchise territories was too sweeping, over-hyped and infeasible for the company to pursue profitably within the announced time frame. John Malone the company's CEO and widely regarded as one of the most astute and influential visionaries of how new information superhighway technologies could transform the world of media and communications, said:

> "We were just chasing too many rabbits at the same time. The company got overly ambitious about things it could do simultaneously.
>
> If you read our annual report last year you would think we're one-third data, one third telephone and one third video and entertainment instead of 100 percent video entertainment and two experiments. Right now we have got zero revenue from residential telephone service, diminishing revenue from high speed Internet and $6 Billion in revenue from video entertainment.
>
> My job is to prick the bubble. Let's get real"

For many years Malone and TCI had been touting the potential of deploying newly discovered telecommunications technologies over the company's existing cable connections to deliver a dazzling array of information and telecommunications products and services in head-on competition against the telephone companies. The first generation of expanded services was to be rolled out in 1996 and 1997 via a new digital-cable box installed on residential TVs that would access 500 channels, provide on-screen viewer guides, and deliver better sound and picture quality. However the manufacturer of the boxes encountered problems and was able to produce only small quantities. Meanwhile aggressive investment in new technological infrastructure ($1.6 in 1996) to deliver the expanded array of products/services put a strain on TCI's cash flow and prompted bond rating agencies to put the company on their watch lists for possible credit rating downgrade. TCI's stock price went no where in a strong stock market. Thus the new Telecommunications Act enacted into law in 1996 created a swirl of strategic manoeuvres by local and long distance telephone companies to position themselves to compete nationwide in both the telephone business and in information superhighway products and services, a development that meant cable operators suddenly confronted a whole new set of larger, resource-rich competitors.

TCI's new narrower vision was to focus more on the cable TV business (under attack from alternative providers utilizing satellite dish technology as well as from the fiber optic wire capability being installed by telephone companies) and to push the vision of

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information superhighway and multimedia provider further out into the future, conditional upon clearer technological opportunities to profit from investments to modify the existing cable system and provide a wider array of products and services. The retrenched strategy involved slower rollout of the new digital cable box ahd (to give the supplier time to ramp up production and work out quality bugs), continued market testing of telephone service, curtailed investment in two-way communications capabilities until the company's debt levels were reduced and cash flows were stronger and until it was clear that the new technologies would be both cost-effective and competitive against the fiberoptic and wireless technologies being installed by rivals. TCI also decided to spin off some of the company's business into independent companies and put some life back into the company's languishing stock price.

Case Study Questions:

a) What significance was the idea of narrowing TCI's vision?

(10 marks)

b) What threats were posed by the above strategy and how were they managed?

(10 marks)

c) Michael Porter proposes two generic competitive strategies that can be used for outperforming competitors. Fully discuss these and state which one of these was used in the case under consideration, highlighting evidence of such.

(20 marks)

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SECTION B: ANSWER ANY THREE QUESTIONS FROM THIS SECTION

Question 1
Discuss the major issues to be considered in selecting and structuring the board of directors of a business organisation and to ensure sustained organisational efficiency and effectiveness.

(20 marks)

Question 2
Discuss briefly the elements of the strategic management model, highlighting the importance of each element in strategic management.

(20 marks)

Question 3

a. Discuss the possible ways of implementing a retrenchment strategy without creating a lot of resentment and conflict with labour unions.

(12 marks)

b. What accounts for a successful CEO in a company

(8 marks)

Question 4

a. Discuss the major factors that account for intense rivalry amongst firms in an industry

(14 marks)

b. How does the threat of substitute products affect competition in an industry

(6 marks)

Question 5

Discuss the major strategies that should be avoided and the reasons for doing so.

(20marks)