

UNIVERSITY OF SWAZILAND**FACULTY OF COMMERCE****DEPARTMENT OF BUSINESS ADMINISTRATION****SUPPLEMENTARY 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: COMPULSORY:

The Old-Tel merger with New Tel.

The merger between the telecommunications companies, Old-Tel (OT) and New-Tel (NT) to create Fu-Tel has just been announced.

The latest combination is part of a general pattern of mergers, acquisitions and takeovers that have taken place in the telecommunications industry in the last few years.

The primary sources of change in the industry have been deregulation (removal of official barriers to competition) and technology advance. Deregulation occurred in the United States some years ago, but privatization and deregulation in Europe have been spread over a longer time-period as different European countries converted their state enterprises to private companies in accordance with their own time-tables. A number of technological innovations have occurred in the telecommunications field. These include:

- The use of fiber optic cable capable of carrying 250,000 times more data than the twisted pair cable still used in most telephone lines
- The development of cellular telephones and associated cellular networks, and the breakthrough in digital technology which is predicted to have the greatest effect.

These developments have already reduced infrastructure costs and made open competition feasible in an industry once dominated by large state monopolies.

The merger of OT and NT brings together two very different companies. OT is a recently privatized telephone company, which had for many years enjoyed monopoly status in the European country in which it is based. NT by contrast is a young US company that has grown up in a highly competitive market place to become a major player in the country.

OT still carries many of the trappings of a state enterprise. It has bureaucratic command and control structure organized on functional lines and its business is largely concerned with supplying business and domestic users with a fixed line offering voice only services. It does, however, enjoy considerable long distance business as well as providing more local service in Europe. In recent years it has moved into retailing telephone equipment but this part of its business is still very small.

Like many state enterprises, it is finding adjustment to the competitive market place difficult. Not only is OT being assailed by eager domestic and international competitors, but also the government regulatory authority insists on OT reducing its prices by 4% per annum for the next three years.

NT is very entrepreneurial in nature, and developed from being a small supplier of local telephone services in a single US state to that of an international player involved in a range of related businesses. Though NT has a limited amount of long distance business, this is on the increase and its tie-up with OT will increase its access to European markets. In addition to its original business of fixed-line telephone services, NT has moved into

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mobile telephony both as a manufacturer and as a network provider of a range of services.

Only recently it acquired a company, which will provide the so-called backbone infrastructure for large-scale traffic for Internet users. NT is organized on division lines with each business controlled by managers who enjoy a great deal of autonomy. The success of NT has been based in part on its ability to take advantage of opportunities brought about by changes in the environment. Consumer demands have changed from the standard fixed line, voice only to mobile telephony, the Internet and many other related services. NT has taken advantage of these changes through its ability to anticipate customer needs. In particular NT realized that in the new deregulated industry, different type of customer would emerge, a customer who requires excellent customer services and complete technical solutions to an increasing variety of needs.

Question 1

Using SWOT analysis or technique, identify the strengths, weaknesses opportunities and threats facing the organization in the case. What recommendations would you make for such an organization?

(40 marks)

SECTION B:

Answer any three questions in this section

Question 1.

The manager of a supermarket chain that is under intense competition plans to review the products he offers. He has just been told that portfolio analysis could be of great assistance. Advise him of the possible portfolio analysis techniques that he can use and the extent to which these can benefit the organization. (20)

Question 2.

All businesses have a duty to be socially responsible. Discuss. (20)

Question 3.

How can an insurance brokerage firm in Swaziland be affected by the following and how can these be managed to the insurance broker's advantage.

- a. Threat of new entrants into the industry (12)
- b. Bargaining power of buyers (8)

Question 4.

A multinational car assembly company with branches in South Africa is considering setting up shop in Swaziland. Advise the company of the possible options for international entry available to it and the best possible option it could adopt, giving reasons for your answer. (20)

Question 5.

- a. Why would a strategic audit be important for a non profit organization in evaluating and controlling its performance. (20)