

**UNIVERSITY OF SWAZILAND**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**MAIN EXAMINATION 2006**

**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

**Read the case below and answer the questions that follow.**

### **CELESTIAL SEASONINGS INC.**

#### **1. CASE ABSTRACT**

This case traces the evolution of Celestial Seasonings through three distinct phases: (1) initial entrepreneurial years (Stage I) when the company founded the herbal tea industry and achieved market dominance; (2) in 1984, the company was acquired by Kraft, Inc. and found itself part of a giant food company (Stage II) with a totally different culture; and (3) four years later, a leveraged buyout (LBO) by management with the help of a capital venture firm enabled the firm to become an independent stage III company. "In 1991 Mr Mo Siegel, co-founder, returned to the company as Chairman and CEO. The company has a heavy debt structure as the result of the LBO. Most of what would be profits goes to service the debt.

Celestial has a 50% market share of the herbal tea industry. The herbal tea industry is currently at E100 million. Sales are very seasonal and occur largely in the winter months. Celestial recently entered the iced tea segment of the market (E700 million sales). Ice tea has an annual growth rate of 8%, while overall tea consumption has stagnated or even declined over the past few years. The specialty tea segment has averaged a growth rate of 20% since 1983, and the consumer's demand for health-conscious foods has been the stimulus of this growth rate. Herbal teas make up 60% of the specialty tea market.

The company markets over 40 different types of teas. The company's marketing strengths are: (1) strong consumer loyalty, (2) focused growth via health consciousness, (3) brand awareness, and (4) distinctive packaging. The company has employed a penetration pricing strategy. The company does not have a presence in the nascent liquid tea market, which had 28 % growth rate in 1991. Top management is faced with how to continue its growth strategy: Should the company enter the liquid tea market and stay within the tea industry or should it diversify out of tea into other related health food areas?

#### **QUESTION 1**

- a) Using SWOT analysis, identify the overall strengths and weakness, and the opportunities and threats facing the company presented in the case above. (30)
- b) What recommendations in terms of strategy would you suggest for such a business entity? (10)

## **SECTION B**

Answer any three questions from this section.

### **Question 1**

A local confectionary company is considering reviewing its Board of Directors structure in view of increasing competition from both local and international competitors. How would you recommend they nominate and structure the board to ensure continued sustainability? (20)

### **Question 2**

- a) Using the following competitive forces as presented by M.E. Porter for analysing competition in an industry (i.e. the threat of new entrants and the buyer bargaining power), discuss fully how you would rank these forces in terms of their effect on monopoly insurance service provision setup like that of the Swaziland Royal Insurance Corporation. (12)
- b) If the insurance industry were to de-monopolize what would be your advice to this company in terms of positioning itself for competition in a new industry setup? (8)

### **Question 3**

A local NGO whose principal objective is to assist communities in poverty alleviation has recently been faced with problems ranging from low employee morale and shortage of funds as this sector is also getting saturated with several NGOs pursuing almost similar objectives, and is thus failing in its primary objective.

- a) Discuss the possible problem conditions that could affect such an organization in its bid to successfully formulate and implement a strategy to meet its objectives. (12)
- b) Discuss the strategic options that such an organization can successfully pursue towards meeting its objectives. (8)

### **Question 4**

Discuss the possible international entry strategies that can be adopted by an organization and state clearly which option(s) would best fit a food retail outlet and why? (20)

**Question 5**

An IT services company is planning to set up shop in Swaziland. It is mainly attracted to the country by the availability of high quality low cost labour force locally. One of the major issues that it has to deal with is ensuring compatibility of the Swazi culture with the new organization's culture.

- a) How can they assess the compatibility of the culture and the strategy? (8)
- b) Discuss the strategies that can be used for successfully managing/harmonizing the cultural diversity in the organization. (8)
- c) Discuss any two issues that you would consider important in staffing an organization of this nature. (4)