

**UNIVERSITY OF SWAZILAND**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**MAIN EXAMINATION PAPER**

**MAY 2012**

*(IDE AND FULL-TIME STUDENTS)*

**TITLE OF PAPER:** STRATEGIC MANAGEMENT AND BUSINESS POLICY

**COURSE CODE :** BA511 / IDE BA511

**DURATION :** 3 HOURS

**INSTRUCTIONS :**

1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS SIX (6)
2. THE PAPER CONSISTS OF TWO SECTIONS; SECTION A AND SECTION B.
3. ATTEMPT SECTION A WHICH IS COMPULSORY AND ANY OTHER THREE (3) QUESTIONS IN SECTION B.
4. THE MARKS ALLOCATED FOR A QUESTION/PART QUESTION ARE INDICATED AT THE END OF EACH QUESTION/PARTQUESTION.
5. WHERE APPLICABLE, ALL WORKINGS/CALCULATIONS MUST BE CLERLY SHOWN.

**NOTE: MAXIMUM MARKS WILL BE AWARDED FOR GOOD QUALITY LAYOUT, ACCURACY AND PRESENTATION OF WORK.**

**THIS PAPER MUST 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 totally different culture; and 3) four years later, a leveraged buyout (LBO) by management with the help of 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 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 weaknesses, 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 (3) questions from this section.**

### **QUESTION 2**

You will have recently noted the mushrooming of several small business ventures by the university's main gate. Using one of them as an example, discuss the factors that are essential for its success. (20 marks)

### **QUESTION 3**

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 marks)

### **QUESTION 4**

Discuss briefly the elements of the Strategic Management Model, highlighting the importance of each element in Strategic Management. (20 marks)

### **QUESTION 5**

Discuss the major growth strategies that a firm may adopt. (20 marks)

### **QUESTION 6**

Organizations in different stages of their life cycles need different types of leadership strategies. Discuss fully. (20 marks)