

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER 2013/2014

TITLE OF PAPER: STRATEGIC MANAGEMENT I

COURSE CODE: BA440/BA504

YEAR OF STUDY: B.COM 4(NP), B.COM 5 (OP)

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:

1. This paper consists of Sections A and B.
2. The case study question – 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

South African Breweries

'From its South African origins, SAB Miller has become one of the world's largest brewing companies. With operations in over 50 countries, it has more beer brands in the world's top 50 than any other brewer and it ranks among the top three brewers in more than 30 countries. Every minute of every day, consumers the world over drink an average of over 46 000 pints of SAB Miller beer.'

This extract illustrates South African Breweries' current position in the global market. The past ten years, in particular, have witnessed extraordinary growth into the rest of Africa, into Europe and Asia. With strong brands and robust profits, they are poised for further growth. For over a century, South African Breweries (SAB) has experienced persistence growth. The company was founded in 1895, nine years after gold was discovered on the Witwatersrand. It had a share capital of \$350 000 and borrowed \$300 000 through debentures. In 1897, SAB listed on the London Stock Exchange. Through the early 1900s, profits and capital continued apace. In 1910, the company expanded into Rhodesia by buying Rhodesia Breweries. With widespread expansion came the need for a steady supply of hops, barley and bottles. To stimulate barley farming, SAB offered South African farmers free seed and promised a guaranteed market at a known price. In the case of hops, SAB teamed up with Ohlsson's in a joint farming venture. To secure a supply of empty bottles, Union Glass was acquired in 1917.

Following World War II, The SAB relocated its head office from London back to Johannesburg. Through the fifties, expansion accelerated: first from Salisbury (now Harare) into Bulawayo(1951) and then into Ndola, Zambia (1952). In South Africa itself, the largest brewery in Africa commenced operations a year later in Isando, Johannesburg. In 1956, the SAB acquired the Ohlsson's and Chandler's Breweries and followed this by gaining control of Stellenbosch Farmers Winery in 1960. Expansion continued during the sixties with a license to market Amstel

(Dutch), Black Label(American) and Guinness(Irish) in South Africa and with a minority stake in South West Breweries(Namibia). From 1967, expansion extended into other industries with the Food Corporation and other investments in tea and coffee. Two years later, the SAB branched out into property development and, through partially-owned Retco Ltd, Launched Southern Sun Hotels.

A further change in direction came with the opening of a carbonated drink plant marketing the Groovy brand. SAB also acquired Luyt Breweries, expanded into Botswana, marketed furniture and footwear(though Afcot & ShoeCorp), bought the OK Bazaars, began bottling Pepsi Cola and bought out rivals Whitebread and Old Dutch). So diversified had SAB become that the stock market accused it for lacking focus and, in 1977, punished it with a "diversification discount".

Yet expansion continued during the eighties, first through the launch of Sun City and then through further growth into Botswana's and Lesotho's beer markets. It also forayed into clothing retail, with the acquisition of Scotts Stores, and later, Edgars. In 1986, SAB added a joint venture with Ceres Fruit juices and acquired Lion Match Company moved rapidly to globalize. In 2002, 107 years after the company was formed, SAB plc purchased Miller Brewing Company in the US, and the parent company became SAB Miller PLC. It has also largely disengaged from non-core investments and focused on brewing. In Africa, it has presence in Angola, Botswana, Ghana, Malawi, Lesotho, Morocco, Mozambique, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. European brewing interests are located in the Canary Islands, the Czech Republic, Hungary, Italy, Poland, Romania and Russia. In Central America, SAB is involved in El Salvador and Honduras while, in Asia, it has breweries in China and India (which account for nearly half the world's population). In 1999, SAB relocated its primary listing back to London, with the aim of gaining access to a greater pool of capital. From that base, it raised £300 million internationally.

SAB Miller is today ranked among the two top brewing companies in the world in terms of volume. The company operates breweries in more than 50 countries in Africa, Europe, the USA, Central America, South America and Asia.

Future growth is anticipated wherever opportunities present themselves almost anywhere in the world. They also hope to aim a large share of international premium beer brands.

Source: Adapted from SAB's website www.sabmiller.co.za/SABMiller (18 August 2005)

CASE STUDY QUESTIONS:

1. Outline the various strategies that SAB has favoured over the decades. (15)
2. Comment on their suitability at various points. (15)
3. With examples, suggest what you might have done differently in relation to question 2 above. (10)

SECTION B***ANSWER ANY THREE QUESTIONS FROM THIS SECTION***

1. Discuss the importance of properly structuring the board of directors in ensuring good governance. (20)
2. Discuss the importance of value chain analysis in the formulation of a cost leadership strategy. (20)
3. Critically analyse the usefulness of the BCG matrix in the formulation of strategy. (20)
4. Discuss the major factors to consider when deciding on the international entry mode. (20)
5. Discuss the importance of properly managing culture in the formulation and execution of strategy. (20)