

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SUPPLEMENTARY 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**

#### **MTN Gains ground in Nigeria**

Nigeria is one of the several markets liberalizing their telecommunications industry. As part of this process, MTN and Econet Wireless International-as winning bidders in a transparent auction-each paid \$285 million to the Nigerian communications Commission (NCC) for a permit to run cellular service in specific areas for 10 years. Globacom, the Second National Operator, also had to pay \$200 million for the SNO and three other licenses, while NITEL, the incumbent operator, was exempt from payment.

The Nigerian Telecommunications market was large but totally under-serviced-120million Nigerians depended on just 600 000 phones, 1 for every 300 people. In this market, initial projections were for 1000 lines in the first year. However, at the end Econet claimed 800 000 subscribers. The MTN network, with its present rollout of its wireless national backbone, can reach 800 communities across the country, and has a physical presence in 50 major cities.

In the financial year ending March 2003, MTN recorded a pre-profit tax of 11-2 billion Naira (account US\$89.7 million) on revenue of 71 billion Naira (US\$568 million). Telecommunications in Nigeria had become a 'pie' for all – from service providers and complementary business down to the vendors on the street.

Cellular phones have changed the way people do business in Nigeria. Many small and medium scale enterprises acknowledge that the Global System for Mobile Communications (GSM) has had an impact on their business. In Lagos, Nigeria's largest commercial centre, where there was the worst dearth of fixed lines, business runs almost unfettered on mobiles; sales reports, emergency rescue operations, food orders and appointment requests are all processes that now do not require travelling. Nigerian customers now have a choice between alternative

networks in most of the commercial and major cities in Nigeria, which was not the case three years ago.

However, things do not always run smoothly. The cost of running a GSM network in Nigeria is quite high. Basic infrastructure such as clean power, transport, water and security are not readily available but have to be provided and backed up to sustain service.

As subscriber volumes hit record highs, networks struggled to carry the load. High cellular tariffs and technical problems have led some subscribers to go back to the fixed phone networks (where these are available). Providers, who were nearly put into liquidation in the early days of the GSM rollout, are experiencing an industry and product rebound.

In the fact of widespread poverty and political challenges, this industry has led African business to take a second look at Nigeria and to imagine what an economic powerhouse it could be if other sectors generate the kind of activity that telecommunications in Nigeria inspires today.

### **Business Africa**

Source: Adapted from Ida-Michaels, M. 2004. *Business in Africa*, 13(2): 64-65

### **CASE STUDY QUESTIONS**

- a. Conduct an industry analysis of the industry that MTN Nigeria operates in. (20)
- b. Identify the key competitive forces shaping the industry and identify MTN's possible strategies for dealing with them. (20)

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

1. Discuss the possible market location tactics that a new business (such as an internet café) can use and advise on the preferred option. Justify your answer. (20)
2. Critically analyse vertical integration as a strategy alternative. (20)
3. How can an understanding of the five competitive forces model be of help in the formulation of a differentiation strategy. (20)
4. Discuss the major precautions to be taken in to account when structuring an outsourcing contract. (20)
5. Discuss the transformational sociocultural trends and highlight their importance in shaping the strategy formulation process. (20)