

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION PAPER

JULY 2014

(FULL-TIME STUDENTS)

TITLE OF PAPER: STRATEGIC MANAGEMENT II

COURSE CODE: BA441/BA505

DURATION: 3 HOURS

INSTRUCTIONS:

- 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)
- 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 AS INDICATED AT THE END OF EACH QUESTION/PART QUESTION.
- 5. WHERE APPLICABLE, ALL WORKINGS/CALCULATIONS MUST BE CLEARLY 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.

Question 1

BHP Billiton is no feather bed

BHP Billiton is alternating the placement of former BHP and Billiton staff through its organisational structure in an attempt to break up old company allegiances.

Known as 'feathering', the practice of mixing the staff from two organizations is used by corporates to integrate the cultures of two merging companies. The process of integrating staff is intensifying as BHP polls show that the profit expectations of analysts range from \$US1.8 billion to \$US2.3 billion for the full year.

BHP has had more than 70 project teams, made up of about 200 executives, working on the merger process since March. Surveys conducted by industry consultants, including AT Kearney and KPMG, have found that more than 50% of mergers failed to achieve their stated objectives. Corporate change experts have suggested that creating a unique corporate culture from such diverse backgrounds as South African-born Billiton and BHP could take years.

'Normally in mergers one culture dominates the other but, in this case, it's not clear which one is going to dominate', said Steve Giubin, head of international basic industries at BT Funds Management. A BHP spokesman said the integration process was proceeding well. In an effort to meld the company's two cultures, emphasis had been given to quickly combining key HR processes such as remuneration and performance management.

But other BHP Billiton staff have complained of a lack of coordination of the integration process, with staff being interviewed for potential posts in the new organisational structure that have no bearing on their qualifications and experience. Racial differences have also been raised. 'The merger of two companies such as BHP and Billiton, where there were two very separate and different cultures and management practices, will be challenging, to say the least,' Deutsche Bank analyst David George said in a recent report.

On a number of occasions, BHP has been forced to modify its proposed organisational structure, reflecting the size of the task it faces. Former Billiton chief financial officer, Mick Davis, was not asked to leave the company immediately after he announced his intention to join ambitious resources group Xstrata. He is seen as playing an important role in integrating the two organisations until his scheduled departure in October 2001.

In an attempt to smooth the transition, the integration strategy has layered BHP and Billiton staff across each organisational ranking. For example, former Billiton treasury official, Louis Irvine, will be head of Finance in the Carbon Steel division, managed by Bob Kirkby, former President of Steel Making and Energy Materials for BHP.

Former Billiton Coal finance director, Derek Nightingale, will run Hunter Valley Coal, reporting to Thermal Coal chief Mike Oppenheimer, former head of BHP Coal. Similarly, former head of Billiton Coal, Dave Murray, will relocate to Brisbane to run the BHP Mitsui

Coast joint venture, reporting to Carbon Steel Materials president, Bob Kirkby. Most of the mineral commodity chiefs are former BHP staff but they report to former Billiton executive director, Mike Salamon.

Senior staff continue to leave the company. Among them, former vice-president of Safety, Environment and Technology, John Burgess, the public face of the problems at the Western Australian hot briquetted iron plant last year, is understood to have resigned.

Source: s. Oldfield, 'BHP Billiton is no feather bed', *Australian Financial Review*, 18 July 2001, p. 15

Questions:

1. How would you go about managing the culture of BHP Billiton, applying the principles you have learned in this course. (25 marks)
2. What impact does the global nature of the company have on culture management? Would you support a single set of shared values or different values in each country? Support your answer. (15 marks)

SECTION B: answer any three (3) questions from this section.

Question 2

Giving examples, explain about the different types of control that organizations can adopt while pursuing strategy. (20 marks)

Question 3

- a. What are the main characteristics of an entrepreneurial venture and how does it largely differ from a small business? (10 marks)
- b. Discuss any five sources of innovation for an entrepreneurial business venture? (10 marks)

Question 4

Discuss the guidelines for an effective compensation/reward system in an organization for smooth implementation to be in place. (20 marks)

Question 5

Explain the following terms used in control management:

- a. Activity Based Costing (ABC) (5 marks)
- b. Enterprise Risk Management (ERM) (5 marks)
- c. Economic Value Added (EVA) (5 marks)
- d. Enterprise Resource Planning (ERP) (5 marks)