University of Swaziland

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Main examination

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TITLE OF THE PAPER	: STRATEGIC MANAGEMENT
DEGREE	: BACHELOR OF COMMERCE
COURSE	: BUS401; BA440 & BA 504 (IDE)
TIME ALLOWED	: THREE (3 HOURS)

Instructions:

1. THIS PAPER CONSIST OF SECTION A AND SECTION B)
2. SECTION A IS CASE STUDY AND IT IS COMPULSORY QUESTION
3. ANSWER ANY TWO QUESTIONS FROM SECTION B
4. THE CASE STUDY IS APPLICABLE TO ALL THE QUESTIONS

Note: You are reminded that in assessing your work, account will be given of accuracy of language and the general quality of expression, together with layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED THE PERMISSION

CASE STUDY -Entrepreneurial Dilemma Battle With The Big Guys

Background information: Blue Label was started by Mark and Brett Levy in South Africa in 2001 after obtaining a national license to sell prepaid airtime for Telkom. Since 2003 the company has been on a growth-by-acquisition path. In 2011 the article appeared at the time the market capitalization value of Blue Label was R17 billion. Blue Label is currently experiencing a strained relationship with stakeholders and partners–namely, Microsoft and Telkom. Microsoft acquired a 12% stake of Blue Label Telecoms around the same time the group listed in 2007. An agreement was also put in place for strategic collaboration and preferred partnerships between the Redmons software giant and the South African distribution firms.

However, rumors have surfaced about a breakdown in that relationship. Joint Blue Label CEO Mark Levy confirmed that the relationships are strained in areas but has not broken down completely. 'To explain what happened with Microsoft we need to go back to how we view partnership and how they do. The problem in those big organizations is that you get lost. Because they are so big you do not necessarily get the relationship you want. There is no real common alignment from a strategic point of view – and that is where we battle with Microsoft. We know what we want, we know where we are going – it has not changed. But we are not sure if we fulfil what their strategy is', Levy says. 'So, I would say the relationship is strained from a strategic point of view: what value can we add to them, and vice versa'. There is a possibility Microsoft will end its relationship with Blue Label and possibly disinvest. Levy says it would be a pity if that happened, but that Blue Label is not dependent on Microsoft. 'We do not create dependencies on ourselves. So if Microsoft had to end the relationship tomorrow there is actually no inter-company dependencies – bar the license you over the counter.

I think we both could get more out of the relationship. We are seeing it dilute – not breakdown. I think we have missed out on opportunities, on both sides. So we will have to work it out. But for us there was life before and there will be life beyond. We have become very self-sufficient organisation'. Levy adds if Blue Label and Microsoft work out their difference they would need to extrapolate more value from each other.

Another potential setback Blue Label has suffered is in Nigeria, where it had an exclusive contractual relationship with troubled Telkom subsidiary, Africa Prepaid Services signed a 10-year agreement with Multi-links in 2008 that was cancelled last year. Telkom has been trying to renegotiate the contract and outgoing interim Telkom CEO Jeffrey Hedberg claimed Multi-links would not survive unless the agreement could be restructured.

Multi-links is a telecoms company that provides CDMA voice and data services in Nigeria, as opposed to the GEM technology used by most other operators. Blue Label had exclusive rights to distribute those services, but Multi-links announced last year it would be exiting the CDMA market. The effective termination of the agreement is something Blue Label view as unlawful and is pursuing the matter illegally.But Brett and Mark Levy are adamant they will ultimately succeed in Nigeria. Says Mark Levy: 'We had an interesting agreement with Multi-links and we did not think it delivered on its contract and we have now cancelled the contract after a lengthy debate with them. Ultimately, we will head off the arbitration to tell us who's right or wrong'.

He continuous: 'Our game plan in Nigeria was always bigger than Multi-links...what the Multi-links thing did for us was to speed up what we need to do: we need to deliver a technical solution. What existed in Multi-links historically was very paper-driven. Over the coming months we are rolling out thousands of point-of-sale devices in that region and I think Nigeria poses a massive opportunity for this group'. Levy's argument is that the Multi-links contract was structured on commission for Blue Label, the more business it brings to multi-links, the more money BLT makes. He says there might well a short-term earnings blip on the rader due to Telkom breakdown. 'It's so sad we have such a disruption for nothing;

SECTION A

Question 1- compulsory

a. Identify the strength, weakness, opportunities and threats of Blue Label South Africa 15 marks

b. Formulate and discuss SWOT Matrix strategies for Blue Label **20 marks.**

c. Identify three priority strategies they should follow and give brief justification **15 marks**

SECTION B

ANSWER ANY TWO (2) QUESTIONS FROM THIS SECTION

Question 2

Scholes and Johnson identified of three main elements of strategic management process. Discuss using the three elements of strategic management processes how Blue Label could restructure their strategic plan **25 Marks**.

Question 3

Using porter's Diamond Competitive (Nations Competitive) advantages explain how those factors influence Blue Label **25 marks.**

Question 4

Discuss how the external environment forces known as PEST framework has affected the operations of Blue Label as an entrepreneurial business in South Africa **20 marks**

100 marks