

UNIVERSITY OF ESWATINI
INSTITUTE OF POST GRADUATE STUDIES
MASTER OF BUSINESS ADMINISTRATION
FINAL EXAMINATION PAPER
DECEMBER 2019

TITLE OF PAPER:	STRATEGIC MANAGEMENT
COURSE CODE:	BUS 619
TIME ALLOCATED:	THREE (3) HOURS
TOTAL MARKS:	100 MARKS

INSTRUCTIONS

1. Total number of questions in this paper is five (5)
2. The paper consists of **Section A** and **Section B**
3. Answer all questions in Section A, and any three questions in Section B.
4. The marks allocated for each question are indicated at the end of each question, or part thereof
5. This paper must not be opened until permission has been granted by the invigilator

SECTION A

Answer all questions in this section

1. Question One

Read the following case extract and answer the questions that follow.

kulula.com: South Africa's low-cost airline¹

Airline Kulula belongs to an elite group of corporate upstarts that have hit the tarmac and immediately caused larger rivals to scurry for cover.

The now familiar luminous green brand kicked off in August 2001 with the intention of mounting a 'no-frills', low-cost flight carrier to South Africa's leisure travel market, hoping to turn a profit if it could find passengers for about 80% of the seats on all its flights. After two years it hit the one million passenger mark.

Executive Manager Gideon Novick says "We saw that price was becoming a major factor in when and how people travel, and we thought there was a strong business case for providing the most affordable flights possible."

Aiming to break even within a year, Kulula started making a profit within its first month – boosted by a champagne-tinted debut in which it poured over R3 million into wooing publicity for its business.

Kulula's profitability stems from the fact that its belt is tightened to the maximum. The company cut costs by providing a basic flight service and by slashing its technology costs through an online booking system. It has no business class, no free food or drink, no airport lounges, no refund for cancellations and most ticket sales are electronic.

This is clearly an approach that worked. Remarkably, Kulula also became South Africa's largest online retailer, due to the average value per transaction of about R1000.

Over the last few years, overseas carriers like Ryanair and Easyjet in the United Kingdom and Virgin Blue in Australia have made air travel affordable for the masses. For South Africans bred on a regular diet of expensive flight options, Kulula's arrival provided a welcome alternative.

"I think we really changed the South African market," says Novick. "By isolating price as a key factor in how often people fly and targeting this, we've brought a new market to air travel and also encouraged the existing market to fly more often," he says. The growth in the market is borne out by figures released by the Airports Company of South Africa, which showed that air travel is growing by 12% on average.

¹ Adapted from: Hellreigel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen (2006) Management 2nd South African edition. Oxford University Press

In August 2002, the company embarked on a different tack entirely by offering a car hire service for people using its flights. In collaboration with Imperial Car Rental, Kulula offered its return-flight passengers the opportunity to rent a low end motor vehicle at a competitive rate. The company also sought to provide a budget hotel accommodation booking service.

Novick says, "We think the business market is huge potential market for us, especially the smaller business person and smaller companies." Medium sized companies are becoming acutely aware of maintaining costs, while for small entrepreneurs, cheaper flights might actually convince them to take the aerial route instead of driving between cities.

To lure the business traveler, Kulula introduced an innovation uncommon in the low-cost flight arena. For a R75 fee, booked flights can be changed as many times as a passenger wants – a boon for business people who have either run late in meetings or want to get home quicker.

To eat into SAA's 60% market share, Kulula will need all the help it can get. The stakes are high and for its low-cost service to work, it has to keep its flights more than 80% full. There is hope that Kulula has lived up to its pledge of permanently altering the SA travel market.

Questions

- 2.1 Using *Porter's five forces model*, explain how, in your view, the adoption of a *low cost* airline strategic approach worked for Kulula. (15 marks)
- 2.2 What are the risks that could befall Kulula, as it pursues this *low cost* strategic approach, and what can Kulula do to reduce the adverse impacts of those risks? (10 marks)

SECTION B

Choose and answer any three (3) questions from this section

2. Question two:

2.1. A good corporate strategy brings clarity on the purpose of an organization, and on how it (the organization) seeks to achieve that purpose. Describe the basic questions that a corporate strategy answers about an organization. **(15marks)**

2.2. A company's strategy should always be considered "work in progress". Discuss this statement, in the context of why organizational strategies ought to evolve. **(10 marks)**

3. Question three

A smart usage of an organization's both tangible and intangible resources can be a source of its competitive advantage. Explain how an enterprise can leverage off its tangible and intangible to amass sustainable competitive advantage over its competitors. **(25 marks)**

4. Question four

You have been approached by the MD/founder/owner of a newly incorporated financial technology company that seeks to take advantage of the opportunities that come with the advent of cryptocurrency and the Blockchain technology, for advice/guidelines on how to structure her company's strategy. Give guidelines to this "fintech" entrepreneur on possible strategic approaches for competing in such an emerging industry. **(25 marks)**

5. Question five

An organization, with which you are familiar, has just completed crafting and documenting its corporate strategy. As they prepare for its implementation, your advice is sought, on how to go about it. Explain to this organization's executive management as to what effective strategy implementation entails. **(25 marks)**