

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION 2021

TITLE OF PAPER: STRATEGIC INFORMATION SYSTEMS
PROGRAM: BCOM 4 (FULL TIME)
COURSE CODE: BUS412
TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:

1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)
2. THE CASE STUDY SECTION (A) IS COMPULSORY
3. ANSWER ANY TWO 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: CASE STUDY

This section is compulsory

Nedbank unveils a more digital strategy to recover from Covid-19

18 March 2021

By: Londiwe Buthelezi

Nedbank published its financial results on Wednesday, where it unveiled its "Reimagine" strategy.

The revised strategy has set goals to beat the bank's pre-Covid-19 performance levels in 2023.

From moving customers to digital channels, pursuing selective asset growth, and consolidating its branch network, Nedbank is pushing to shift to a lower operating cost base. Nedbank has set its eyes on getting its earnings back to beat 2019 levels - but only in 2023.

The bank published its 2020 financial results on Wednesday, showing a 57% decline in headline earnings to R5.4 billion as credit impairments shot up while the group received less interest income because of falling rates, while also fielding higher credit life and funeral claims.

But the bank said in the latter part of 2020, it decided to rejig its strategy so that it can emerge stronger in a post-Covid-19 world.

Its new blueprint called "Reimagine" has a target to grow headline earnings beyond the R12.5 billion recorded in 2019 by the end of 2023 and reduce Nedbank's credit loss ratio to pre-Covid-19 levels in the medium to long term.

But how is the bank planning to reach its target in an environment where it expects South Africa's GDP to still grow by just 3.4% this year and start to stagnate to less than 2% again by 2023?

From ramping up efforts to move customer transactions to apps, consolidating some branches, to being selective about its asset allocation, Nedbank chief operating officer Mfundo Nkuhlu has planned the necessary shifts to achieve the 2023 targets despite the gloomy macroeconomic picture.

"You do need macroeconomic conditions to be supportive and provide tailwind, but the ingenuity to think through what the new solutions will be is what will translate to market share gains," said Nkuhlu.

Like all the other banks, the new solutions that Nedbank hopes will help it achieve the revised targets are all about moving customers to digital channels so that it can compete not only with peers, but fintech players too. The Avo super app that the bank launched in the middle of the lockdown in 2020 to take advantage of rising e-commerce volumes was just a taste of how far Nedbank wants to push the digital envelope, said Nkuhlu.

Branch consolidation on the cards as it moves towards being a more digitally driven bank, Nedbank's goal is to shift towards a lower operating cost base. But through "selective asset growth", it will also be spending less money where it has high exposure and will be reviewing the composition of its branch network. Nkuhlu said the bank was mindful that, while it wants to rapidly digitise, in the

short term it needs to maintain branches. But it will "rationalise" them by consolidating some branches into "megastore" walk-in centres where customers can be taught how to self-service.

"As you consolidate few branches into megastore in some areas, you will then extend the radius of their reach and through that reduced the overheads of managing multiple branches as a precursor to ultimately drive the mass market towards digital channels," he said.

Nedbank will then have smaller express branches with limited services that are more in demand.

As for the selective asset growth strategy, Nkuhlu said the bank is looking at where it is overweight - and should perhaps pull back - and where it is underweight, and should be investing to drive market share gains.

One area where Nkuhlu said Nedbank had too much exposure to, is commercial property and will not be looking to grow its market share there especially since that industry is troubled by rising vacancy rates and falling rentals right now.

And one of the areas where it wants to increase its exposure is the township economy. "We are looking at what share of activity in the township economy can we get. That really talks to supporting SMEs, supporting spaza shops, and support new developments and investments that are taking place ... Townships cannot just be dormitories of residential activity. They've got to have an underpinning economic activity," said Nkuhlu.

Source: www.nedbank.com

Questions

Question 1

Comment on Nedbank's 'Reimagine' strategy's ability to:

- a. Drive cost savings
- b. Drive revenue growth
- c. Dive asset efficiency
- d. Create sustainable advantage

(20 marks)

Question 2

Based on the case above, would you suggest outsourcing of IT service provision for Nedbank? Give reasons.

(20 marks)

Section B

Answer any three questions from this section

Question 3

Under five headings, discuss the major themes of IT governance. (20 marks)

Question 4

- a. Discuss four factors that affect IT project implementation risk (12 marks)
- b. How can the factors discussed in (a) above be better managed to mitigate the risk? (8 marks)

Question 5

Explain the importance of a comprehensive request for proposal (RFP) in managing relationships with service providers. (Be sure to mention all the categories of information required and the importance of each category.) (20 marks)

Question 6

How can the value chain concept be useful in assessing the impact of IT in an organisation? (20 marks)

Question 7

Legacy cultures inhibit IT project implementation in organisations. Discuss. (20 marks)