

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**



**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS MANAGEMENT**

**STRATEGIC MANAGEMENT 1**

**CBU 4107**

**First Semester Examination Paper**

**December 2014**

This examination paper consists of 5 pages

**Time Allowed: 3 hours 30 minutes**

**Total Marks: 100**

**Examiner's Name: Mr J. Ranganai**

**INSTRUCTIONS TO CANDIDATES**

1. Answer all questions in Section A and any three questions from Section B

**INFORMATION TO CANDIDATES**

1. Section A carries 40 marks and all questions in Section B carry 20 marks each.
2. Questions may be answered in any order.
3. Credit will be given for the use of appropriate examples.
4. This paper contains seven questions.

**MARK ALLOCATION**

| <b>QUESTION</b> | <b>MARKS</b> |
|-----------------|--------------|
| <b>1.</b>       | <b>40</b>    |
| <b>2.</b>       | <b>20</b>    |
| <b>3.</b>       | <b>20</b>    |
| <b>4.</b>       | <b>20</b>    |
| <b>5.</b>       | <b>20</b>    |
| <b>6.</b>       | <b>20</b>    |
| <b>7.</b>       | <b>20</b>    |

## **SECTION A**

### **Question 1**

#### **CASE STUDY: Zimpost, Moving “Beyond the Envelope”.**

THE country’s postal service, Zimpost, is under pressure from a growing mobile telecommunications industry, which has resulted in less use of its traditional services. The new information technology (IT) based platforms and innovations have hit revenues and volumes at Zimpost, a State-owned break-away from the dismantled Postal and Telecommunications Corporation.

Zimpost is among hundreds of African State-controlled, old model postal outfits now under threat of being pushed out of business for failing to adapt its business to global telecommunications. Zimpost, which handles US\$300 million worth of transactions per annum, has had its flagship mail delivery business drop by 86 percent in 14 years, forcing it to retrench about 2000 staff. The letter delivery business contributed 80 percent of its business in 2000, but its contribution has dropped to 20 percent, as business shifts to the fast and efficient electronic based platforms.

Zimpost admits that the market has shrunk, with the former monopoly now controlling 40 percent of the small parcel delivery service. Zimpost has rolled out a string of projects to tackle competition, including an ambitious US\$920 000 GPRS solution that will aid in the location of households during mail delivery and disaster management.

Managing Director, Douglas Zimbango, says revenues have plummeted, but notes that the turnaround plan (“Beyond the Envelope”) will bolster the company’s capacity to confront the telecoms system and propel the loss making outfit to profit by 2015. “We are not under any threat of extinction. We are preparing for the future of Zimpost outside mail. Zimpost will never die,” says Zimbango.

The blueprint may bring mixed results for Zimpost, as one analyst puts it, but the question remains whether the firm will achieve its diversification ambition and bounce back to its former status. Whether Zimpost will survive or fall will also depend on the strength of the ambitious turnaround plan dubbed “Beyond the Envelope”. “They are diversifying in order to increase revenues,” says Takunda Mugaga, head of research at Econometer Global Capital.

“It is one of the most growing sectors of this economy. They are hoping to ride on that. But my worry is whether Zimpost will have the financial stamina and capacity to do that. Beyond financial issues, Zimpost has to deal with the collective programming of minds in the organisation. A good number of Zimpost employees still stuck to the traditional ways of doing things that have lost relevance in today’s business environment. With its cultural dynamics, the current business environment imposes the need for Zimpost management to effectively deal with internal political, cognitive, resource and motivational hurdles if the

organisation is serious about metamorphosing beyond the envelope,” he says. The strategy would see Zimpost redirecting its operations from a predominantly physical mail, cash and parcel delivery enterprise to electronic platforms.

Previous models had failed to realise the need to transform Zimpost from a postal services firm to a complete telecoms enterprise, even as indications were high that technologies were fast eclipsing the old business thinking. The blueprint must not become another talk show in the same way government, the 100 percent shareholder in Zimpost, has come up with impressive blueprints that were not effectively implemented.

Further, a deflation strain has been wreaking havoc in ailing industries. In 14 years, Zimbango says Zimpost’s mail business has plunged sharply, retreating to 14 million letters per annum, from 100 million in 2000. Zimpost has seen its workforce decline to 1 170, from 3 000 in 2000. It currently needs 800 workers but cannot cut more jobs because government, under pressure to rebuild a faltering economy, has been desperate to contain rampaging unemployment.

Zimbango is convinced that in a Skype, WhatsApp, Google and Yahoo mail, and Facebook dominated market, government’s favoured postal model has lost relevance. Yet he has expanded Zimpost’s network to 225 branches, from 220, mostly into far flung rural areas. Government still sees the rural fork as incapable of using latest technologies. Not anymore.

Equally educated as their urban counterparts, rural citizens are embracing technology, and are skirting old post offices to transact through mobile phone based platforms. For example, Econet Wireless Zimbabwe says it registered 4,2 million customers and processed US\$4,5 billion worth of transactions through EcoCash, its electronic money transfer platform, between 2011 and 2013.

NetOne and Telecel Zimbabwe have launched competing services. Telecel said it had registered progress in expanding its electronic payment systems. Three more insurance companies, Old Mutual, Zimnat and Nyaradzo-signed agreements with Telecel for the payment of insurance premiums using Telecash, Telecel’s mobile electronic wallet service.

Telecash subscribers were already able to make payments to Eagle Insurance and First Mutual Life. It sounds good for the market, but it is extremely bad news for Zimpost, which used to benefit from such transactions. Zimpost’s operations in registered postal money service and telegraphic money transfer have slumped. Mail delivery has been undermined by the introduction of e-mail and SMS-based bill delivery platforms being preferred by municipal authorities, the power utility ZESA Holdings and Tel-One, the land line operator.

Consumers can now talk real time on mobile phones regardless of their locations, and can text messages, send emails, use the Face Book platform or WhatsApp. The postman’s era is under threat. From about 900 postmen in 2000, the number of postmen has declined to 450. Zimbango would be well placed to advise government to stop the expansion of the postal network. But he says his hands are tied. “There are areas where if I was to operate a normal business we would close,” he says. “But government does not allow us to close a post office.

We are not everywhere where we are because it makes business sense to be there. Our option is to grow revenue.”

The turnaround plan will involve automating the Zimpost system. Zipcash, a money transfer service, has been launched to ride on Zimpost’s strategic links to 600 000 post offices worldwide. Its banking services through POSB Bank will be consolidated and modernised, some Zimpost halls countrywide will be leased, while it will beef up its stationery business, airtime retailing, printing and photocopying services, internet and introduce such services as providing a platform for the recovery of lost items, as well as safe custody of important documents.

Zimbango says the post bus will be reshaped along the lines of a Swiss passenger firm controlled by Zurich. “The Swiss Post has one of the many successful post bus operations that postal operators have set up,” he says. Now, that sounds sweet. But the road ahead will be tough and unkind, given existing competition in the segments earmarked by the State-backed firm. Further, while focusing on actualizing its economic responsibilities to stakeholders, management need not lose sight of its other tripple bottom line imperatives; it can only ignore them at its own peril. Time will tell whether Zimpost will realise its intended strategy. About 10 years ago, Zimbango unveiled an almost similar blueprint. It did not work.

**Source: Adapted from Financial Gazette Newsdesk (10 Jul 2014:4), Zimpost hit by technology advancement, Financial Gazette, Harare**

**Required:**

a) Using the SPECTACLES framework, analyse the factors that are defining Zimpost `s business environment.

**[20 Marks]**

b) Discuss the extent to which the ambitious turnaround plan, “Beyond the Envelope”, will be effective pursuant to turning around the fortunes of Zimpost.

**[10 Marks]**

c) As a strategy consultant, what advice would you proffer to Zimpost ensure that it survives and prospers given its dynamic business environment.

**[10 Marks]**

**SECTION B**

**Question 2**

Using Mintzberg (2009)’s five fold definition of strategy, discuss the concept of strategy in the Zimbabwean context.

**[20 Marks]**

**Question 3**

a) Explain the circumstances that could make it strategically imperative for a firm to employ a stability strategy such that it maintains the current levels of operation without significant change in strategic direction.

**[8 Marks]**

b) Analyse any three stability strategy options that could be employed by a firm given its environmental realities.

**[12 Marks]**

**Question 4**

Discuss any **four** types of business models that are reflected in the business logic of some firms.

**[20 Marks]**

**Question 5**

‘Portfolio strategy entails identification and assessment of the relative attractiveness of Strategic Business Units (SBUs) in an organization.’ Evaluate the effectiveness of the following portfolio techniques in relation to assessing the attractiveness of Strategic Business Units in business organisations.

a) The Pioneer-Migrator-Settler (PMS) Map

**[10 Marks]**

b) The Boston Consulting Group (BCG) Matrix

**[10 Marks]**

**Question 6**

Using relevant examples, explain the Miles and Snow (1978) adaptive strategies that firms could employ given the imperativeness of adapting to the entrepreneurial, engineering and administrative challenges of their environments.

**[20 Marks]**

**Question 7**

Using an organisation of your choice, show how any five functional level strategies could support business level strategy in such a way as to enhance its market competitiveness.

**[20 Marks]**

**END OF EXAMINATION**

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