

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION 2009

**TITLE OF PAPER: BUSINESS POLICY & STRATEGIC
MANAGEMENT**

DEGREE AND YEAR: BCOM V (F/T) & BCOM VII (IDE)

COURSE NUMBER: BA 511/ IDE BA 511

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 THREE 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

This section is compulsory. Read the following case and answer the questions that follow.

CELESTIAL SEASONINGS INC.

This case traces the evolution of Celestial Seasonings through three distinct phases: (1) initial entrepreneurial years (Stage I) when the company founded the herbal tea industry and achieved market dominance; (2) in 1984, the company was acquired by Kraft, Inc. and found itself part of a giant food company (Stage II) with a totally different culture; and (3) four years later, a leveraged buyout (LBO) by management with the help of a capital venture firm enabled the firm to become an independent stage III company. "In 1991 Mr Mo Siegel, co-founder, returned to the company as Chairman and CEO. The company has a heavy debt structure as the result of the LBO. Most of what would be profits goes to service the debt.

Celestial has a 50% market share of the herbal tea industry. The herbal tea industry is currently at \$100 million. Sales are very seasonal and occur largely in the winter months. Celestial recently entered the iced tea segment of the market (\$700 million sales). Ice tea has an annual growth rate of 8%, while overall tea consumption has stagnated or even declined over the past few years. The specialty tea segment has averaged a growth rate of 20% since 1983, and the consumer's demand for health-conscious foods has been the stimulus of this growth rate. Herbal teas make up 60% of the specialty tea market.

The company markets over 40 different types of teas. The company's marketing strengths are: (1) strong consumer loyalty, (2) focused growth via health consciousness, (3) brand awareness, and (4) distinctive packaging. The company has employed a penetration pricing strategy. The company does not have a presence in the nascent liquid tea market, which had 28 % growth rate in 1991. Top management is faced with how to continue its growth strategy: Should the company enter the liquid tea market and stay within the tea industry or should it diversify out of tea into other related health food areas?

QUESTION 1

- a) Using SWOT technique or analysis, identify the overall strengths and weakness, and the opportunities and threats facing the company presented in the case above. (30)
- b) What recommendations in terms of strategy would you suggest for such a business entity? (10)

SECTION B

Answer any three questions from this section.

Question 1

Why do you think corporate governance principles and other strategic management principles are not well adhered to in some Swazi Parastatals that are not for profit organisations and what mechanisms would you suggest for revamping operations in such organisations? (20)

Question 2

Can an organisation exclusively adopt one of the generic competitive strategies as presented by Porter? Why or why not? (20)

Question 3

Organisations in different stages of their life cycles need different types of leadership. Discuss fully. (20)

Question 4

A poultry producing company that has recently set up in a per-urban area has approached you for advice on how they can effectively and comprehensively evaluate and control their performance. It has been a year since this organisation started operating. Advise. (20)

Question 5

How can an organisation best manage cultural differences following a merger or an acquisition? (20)