

ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CBM401
COURSE TITLE : STRATEGIC MANAGEMENT
SPECIAL REQUIREMENTS : NONE
DURATION : 3 Hours
LEVEL : 4.1
DATE : 15 FEB 2022

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. The paper comprises of **Part A** and **Part B**
3. Answer a total of **FOUR (4)** questions including **Part A (Question 1)** a **COMPULSORY** mini-case study question.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

PART A (COMPULSORY)

Question 1

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

Export retention holds back BNC... BNC revenue increased by 41% to US\$35,3m

BY TATIRA ZWINOIRA

BINDURA Nickel Corporation (BNC) says the 40% export retention and the depreciating Zimbabwe dollar triggered a loss of US\$1,2 million during the half year ended September 30, 2021. Under the export retention scheme, companies are required by the Reserve Bank of Zimbabwe (RBZ) to surrender 40% of their proceeds for local currency at the official exchange rate. But companies say the policy has been exerting a huge burden on their operations.

“In terms of the exchange control regulations, 40% of the company’s export revenue is compulsorily surrendered to the Reserve Bank of Zimbabwe for Zimbabwe dollars converted at the auction rate,” BNC chairperson Muchadeyi Masunda said in a statement accompanying the firm’s results. “For the six months to September 2021, the Zimbabwe dollar auction rate devalued by just under 4%, while the Zimbabwe dollar exchange rate on the parallel market, which local suppliers use in their pricing models, devalued by approximately 50%. The combination of compulsory surrender of 40% of revenue and the discrepancy between the auction and parallel market rates, resulted in an estimated loss to the company of US\$1,2 million for the six months.”

While the Zimbabwean economy is projected to grow by between 5% and 7% this year, underpinned by a successful 2020/21 agricultural season and high commodity prices, COVID-19 and foreign currency distortions have remained a major challenge. “The threat of a resurgence of COVID-19, persistent foreign currency shortages, the widening gap between the auction and unofficial exchange rates as well as the potential of an increase in the already high inflation rate will pose serious threats to continued growth and economic stability,” Masunda said.

“The operating environment for the remainder of the current financial year is, therefore, expected to remain challenging.”

The loss in BNC’s earnings come despite a near 71% increase in profit-after-tax to US\$5,84 million in the period under review, from a 2020 comparative of US\$3,42 million, owing to

improved nickel prices. The improved nickel prices saw BNC revenue increase by 41% to US\$35,3 million in the half year, from US\$25 million in the 2020 comparative.

“The average nickel price of US\$18 234 per tonne was 38% higher than the previous year’s price of US\$13 214 per tonne, reflecting the global increase in nickel prices,” Masunda said.

During the period under review, nickel in concentrate production was 2 553 tonnes, 13% lower than 2 929 tonnes produced in the same period last year. The decline was mainly due to the head grade of 1,26%, which was 22% lower than for the six months to September 2020. However, tonnes of ore milled was 241 325 which BNC recorded as 15% higher than the 209 153 tonnes of ore milled in the same period last year as the mine initiated the transition from the high grade, low-volume strategy to a new low-grade, high-volume strategy.

“In making the transition to the new mining strategy, the business is also continuing with its capital expenditure/re-investment programme, with specific emphasis on replacing the dilapidated and obsolete underground mining mobile equipment,” Masunda said.

- a) Explain how the export retention policy by the RBZ necessitated the loss made by BNC in the 3rd quarter of 2021. [8 marks]
- b) In what ways can BNC avoid making more losses going forward? [8 marks]
- c) The export retention policy was established by government through RBZ. Explain how else the government affects the business environment. [9 marks]

PART B (CHOOSE ONLY THREE QUESTIONS FROM THIS SECTION)

Question 2

- a) Explain by the aid of examples the difference between a vision and a mission. [8 marks]
- b) Discuss why strategic analysis is important for any organisation of your choice. [17 marks]

Question 3

- a) Discuss the strategic implementation process with aid of examples. [15 marks]

b) Give a brief critical account of the emergency approach to strategic management.

[10 marks]

Question 4

Discuss diversification as a strategic move to gain competitive advantage.

[25 marks]

Question 5

Value addition is an important variable in resources and capabilities analysis. Discuss how value added may be enhanced in an organisation of your choice.

[25 marks]