

ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF BUSINESS STUDIES

28 JULY 2017

COURSE: STRATEGIC MANAGEMENT

COURSE CODE: CBM401

DURATION: 3 Hours 30 Minutes

INSTRUCTIONS TO CANDIDATES

1. No cell phones are allowed in the examination venue.
2. Answer **4 questions**: Answer all questions in section A and any other three questions from section B.
3. Begin each question on a new page.
4. The number of marks allocated to each question or part question is shown in brackets
5. All questions carry twenty five marks

Section A

Question 1

CASE STUDY

Tangy Spices Ltd, the country's biggest spices marketer has decided to launch a hostile bid for South Africa's major spice marketer Chilliano. This is a rare case of a Zimbabwean company making an unsolicited hostile bid for a foreign company. The Tangy Spices Ltd has competencies in international spices. The major destination markets for Tangy Spices Ltd. Exports have been Europe and America. The competencies of Chilliano lie in Italian herbs and spices. The Zimbabwean organization with the takeover wishes to create synergies for its operations in the world market. It also wants to take advantage of the reach enjoyed by the South African company in several countries where its products are not being sold presently.

The move of hostile takeover follows Chilliano's rejection to an agreement entered a year back. At that time Chilliano was suffering losses and it offered majority shares at the price of ZAR2.25. A total of 20% shares were transferred at that time. In one year Chilliano was able to turnaround its operations and the company made handsome profits in the last quarter. The promoters who have residual holding of 35% in the company are reluctant to transfer shares now. They have rejected the agreement with a plea that the earlier offer price was not sufficient.

Tangy Spices Ltd. has revised its offer to ZAR2.95. By this lucrative offer some of the large shareholders of Chilliano reveal their interest for selling their stakes. On the other hand, promoters maintained their position on this matter. Through the process of buying of shares in the market the Tangy Spices Ltd. gradually consolidated its holding in Chilliano to 45%. Being a major shareholder they were ready for a takeover. At the same time, Tangy Spice Ltd. was trying hard to improve their position so that they do not leave any space for Chilliano's promoters in future.

- (a) What strategic alternatives are to be followed by Tangy Spices Ltd? **(5 marks)**
 - (b) Is the hostile takeover by the Zimbabwean company appropriate? **(5 marks)**
 - (c) Why is Tangy Spices Ltd interested in this take over? **(5 marks)**
 - (d) Justify the reasons for the promoters' reluctance to transfer the shares after the agreement? **(10 marks)**
- (Total 25 marks)**

Section B

Question 2

Discuss the usefulness of the Resource Based View (RBV) in the creation of strategy and organisational value.

(Total 25 Marks)

Question 3

(a) Discuss the importance of socio-cultural environment in the process of strategic planning.

(Total 25 Marks)

Question 4

(a) Describe how corporate structure and culture can lead to strengths or weaknesses in an organization.

(12 marks)

(b) Explain strategic factors in an organisation's external and international environment?

(13 marks)

(Total 25 Marks)

Question 5

Discuss any five (5) pitfalls of strategic planning that management should avoid.

(Total 25 marks)

END OF PAPER