



ZIMBABWE

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EXAMINATION PAPER

COURSE CODE : CBM401
COURSE TITLE : STRATEGIC MANAGEMENT
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 4.1
DATE :

11 NOV 2019

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. **Section A is Compulsory**
3. Answer any **THREE (3)** questions in **Section B**.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []
6. Each question has a total of **25 Marks**

SECTION A – COMPULSORY

Read the case study below and answer questions that follow:

Star Struck

Iridium is named after the 77th element to signify the 77 satellites that were supposed to beam signals around the world, creating a worldwide mobile satellite telephone service (MSS). However, things did not work out as planned. Motorola, Iridium's chief sponsor, has vowed not to invest any more than the \$1.6 billion it has already invested in the venture, unless other investors do so too. Iridium was chasing a very modest goal in terms of number of subscribers - 27,000 by end of July, from 10,000 at the end of March.

These two events are symptoms of deeper problems within the Iridium network, as people try to work out what went wrong. Were its estimates of MSS market (between 32 million and 45 million subscribers within ten years) unrealistic? Or, are Iridium's problems due to poor vision and poor planning? Mobile telephony, in general, has been a growth market, with subscribers expected to reach 600 million within the next two years. MSS providers plan to capture 2.5% of the market by offering handsets that operate as a land-based cellular phone and a satellite telephone when cellular service is unavailable. Apart from business executives, other specialized users include truckers, civil engineers, field scientists, disaster-relief agencies, news organisations, extractive industries, and geologists. Shipping and aviation, as well as operations in less developed countries, which lack traditional telephone infrastructure, are also potential markets. Yet Iridium has not been able to sign up many subscribers. The technology is quite sound - the problem has been poor forecasting, marketing, production glitches, and some unexpected competitive moves.

Iridium's market size forecast and value did not materialize. This may be due to several marketing problems. Iridium's handsets cost more than \$3,000, and call charges range from \$2 to \$7 a minute. Iridium's handset is large (7 inches), and weighs 1 pound, limiting its portability. Manufacturing delays at Motorola and Kyocera left customers waiting to get their telephones. In any case, its marketing partners, Sprint, and Telecom Italia were not prepared to sell the telephones. Its generic, "schmoozy" and "generic life-style marketing" (according to John Richardson, Iridium's new CEO) was not suitable for its specialized target market.

Competitive entry also hurt Iridium's already weak network. Two new entrants to the MSS market, Global star and ICO have been able to promise the same service at a lower cost. At a

volume of 1 billion minutes per year, for instance, the cost of a minute using Iridium's system is \$1.28, compared to 51 cents a minute for Global star, and 35 cents for ICO. The difference arises mainly because of Iridium's numerous satellites and their use of more power to maintain their low earth orbit. This also shortens their life span to 5 - 7 years. ICO's satellites, on the other hand, fly about 6000 miles higher in medium-earth orbit and have a life span of 12 years. With Iridium being forced to charge prices far lower than it had planned, and two low cost operators about to enter the market, Iridium's future is uncertain.

QUESTION ONE

- i. Analyse the role of poor strategic management at Motorola in Iridium's failure. **(15)**
- ii. What steps do you think should have been collectively taken by Motorola, Kyocera, Sprint and Telecom Italia to save Iridium? **(10)**

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SECTION B ANSWER ANY THREE QUESTIONS

QUESTION TWO

Managers often argue that the business environment affect performance of their organisations. Discuss the validity of this assertion. **(25 marks)**

QUESTION THREE

Imagine you are one of the managers at an organization of your own choice and have been tasked by the Managing director to conduct a SWOT analysis. Prepare a presentation for the Board. **(25 Marks)**

QUESTION FOUR

Evaluate, using appropriate examples Peter McKiernan's 6 stage process of Corporate turnaround.

(25 Marks)

QUESTION FIVE

With reference to specific examples discuss how an organisation can implement the Strategic Management Process, explaining its benefits. **(25 Marks)**