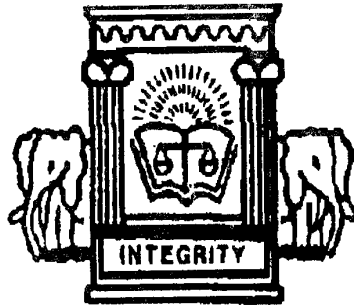


**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2008 EXAMINATIONS
(PROFESSIONAL)**

PART 2

**STRATEGIC MANAGEMENT
(Paper 2.7)**

**Attempt question one (1) and any
other three (3) from Section B**

TIME ALLOWED: 3 HOURS

SECTION A: CASE STUDY

QUESTION 1

Read the following carefully and answer ALL the questions that follow:

DONDO TELECOMS

Dondo Telecoms (DT) is currently the leading cellular service provider in Ghana with over 70% of the market (estimated to be 7,000,000 subscribers as at 2006). This achievement is due partly to DT's relentless pursuit of quality service, aggressive growth strategies and its social marketing approach to marketing.

DT was established in 1996 by five young graduates from Kwame Nkrumah University of Science and Technology with a mission to provide high quality and cost efficient telecommunications services at affordable prices.

In pursuit of this mission, DT committed over \$500 m over a three-year period to establish the basic structures needed to compete against the two major telephone operators in the market - Global Telesystems and Ambari Communications.

Global Telesystems, the first cellular phone operator in Ghana, operates an analogue system and has over five hundred thousand subscribers. Ambari Communications, on the other hand, is government-owned with a massive fixed line presence all over the country and a tottering cellular phone subsidiary which has about 200,0000 subscribers.

To achieve the 70% market share DT's top management adopted a number of strategies:

- Put up between 6 – 10 cell sites every week across the country. This will help to increase its subscriber base to four million within seven years.
- Penetrate the market with GSM Technology. The GSM Technology was introduced by European public telephone networks in the 1980's and now dominates the world's mobile telephone market. GSM allows international roaming, the use of short message systems (SMS), call IDS, voice mail and other features popular with customers.

Global Telesystems and Ambari Communications currently use the outdated analogue technology. DT's competitive intelligence indicates that it will take over five years for these companies to switch to the GSM technology. This will give DT an advantage to penetrate the market.

- Low-cost provider strategy by providing all affordable means of communication to all segments of the Ghanaian market.
- Embark on a massive promotional campaign complemented with an intensive distribution strategy for its starter packs.
- A market segmentation strategy by offering three tariff plans – silver, gold and platinum.
- Gain additional funding for its expansion programme and growth strategy by merging with an international cellular phone operator-Veticom. The latter has a wide coverage on two different continents.

These strategies worked perfectly and by the year 2003, DT has achieved a subscriber base of over six million (above the 70% it predicted). To consolidate this enviable position the company decided to increase its public exposure through investment in corporate social responsibility. It invested millions into scholarships for needy students, donations to education, police crime prevention, and sponsorship of sports and cultural events.

In spite of the success in the industry, DT's growth plans have been constrained by a number of challenges.

These include:

- Difficulty in acquiring land to install cell sites.
- High taxes and other levies imposed by District Assemblies.
- Increasingly stringent regulatory requirements by the National Communications Authority – the industry's regulators.
- Difficulty in attracting and retaining high quality staff, particularly engineers.
- Hot pursuit by its main rivals who seem to imitate every single marketing strategy DT adopts.

In spite of these challenges DT remains determined to continue its growth plans in pursuit of its mission. In the next ten years it hopes to diversify into data network services in Ghana, using the excess capacity of electricity produced by Volta River Authority.

This service will target data companies, television stations, radio stations and Internet Service Providers.

These measures, it hopes, will help consolidate its position in the ICT revolution sweeping across Ghana.

Required:

- a) What strategies did DT adopt to achieve 70% penetration in the market? **(6 marks)**
- b) Why did DT go in for GSM technology? **(5 marks)**

- c) i. Explain the term low cost strategy (2 marks)
ii. State **four (4)** conditions under which low-cost strategy may be adopted. (8 marks)
- d) i. Explain the term intensive distribution as used in the case. (5 marks)
ii. Is it appropriate for DT to use this strategy? (5 marks)
- e) Identify and explain **three (3)** other growth strategies that DT could have used. (9 marks)
- (Total: 40 marks)**

SECTION B

Answer three (3) Question from this Section

QUESTION 2

- (a) What do you understand by “Strategic Evaluation”? (2 marks)
- (b) Explain each of the following criteria for evaluating corporate strategy giving **two (2)** factors each to be considered.
- (i) Suitability
 - (ii) Feasibility
 - (iii) Acceptability
- (18 marks)**
- (Total: 20 marks)**

QUESTION 3

- (a) What is strategy implementation? *(2 marks)*
- (b) Identify and explain in **detail** the key activities involved in strategy implementation.

(18 marks)
(Total: 20 marks)

QUESTION 4

- (a) Explain the following terms as they apply to strategy
- (i) Resources
 - (ii) Capabilities
 - (iii) Core Competencies

(15 marks)

- (b) Explain the relationship among the terms in (a) above.

(5 marks)

(Total: 20 marks)

QUESTION 5

- (a) Explain the term 'business environment'. *(5 marks)*
- (c) Discuss five reasons why it is important for an organization to understand its environment. *(15 marks)*

(Total: 20 marks)