
CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATIONS
A1.1: STRATEGY AND LEADERSHIP

MONDAY: 2 DECEMBER 2019

INSTRUCTIONS:

1. **Time Allowed: 3 hours 45 minutes** (15 minutes reading and 3 hours 30 minutes writing).
2. This examination has **two** sections; **A & B**.
3. Section **A** has **one** Compulsory Question while section **B** has three optional questions to choose any two
4. In summary attempt **three** questions.
5. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

Demand for made in Rwanda products grew dramatically after development of policy aimed at promoting consumption of locally produced products.

Made in Rwanda products are currently sold at local and international markets and to make them more competitive, producers are subjected to laws and regulations, and certification by **Rwanda Bureau of Standards (RBS)**.

Most Businesses in Rwandan manufacturing industry are young. Preparing to cope with uncertainty is one of the biggest strategic challenges they are facing. To support them, Government of Rwanda through Rwanda Development Board (**RDB**) and Ministry of Commerce and Industry (**MINICOM**) provides information on social trends, economics, political and technological factors which may affect their businesses in different disciplines and interests. RDB and MINECOM always encourages them to develop projections about the direction, scope, speed and intensity of environmental change. They are also advised to analyse key factors which are particular to firms and the industry in which they compete.

Currently demand for made in Rwanda products is impacted to greater degree by prices of raw materials imported from abroad, limited skills of labour, technology, unemployment level, increasing global trade or competitors' products, infrastructure and capital. As a reaction, Government of Rwanda is focusing on establishment of strong related and supporting industries, and strong relationship between suppliers and producers. **TVET** has been an important component within the Rwandan policy to produce competent human resources. Another emphasis is on stability and growth of Rwandan financial sector to facilitate entrepreneurs to easily access financial services. One of the Rwandan government key goals as part of its vision 2050 is to improve infrastructures to create conducive environment for both small and larger businesses.

To build the country and individual business competitive advantages, policy makers and managers of businesses are concerned with customers, employees and processes that bring about change. In addition to that, entrepreneurs are advised to choose models of organizational ownership taking into consideration corporate governance system impact on strategy. Entrepreneurs should ensure alignment of work, people and performance. Human Resource planning and integrated performance system lie at the heart of this effort.

REQUIRED:

- i. Using information from the above case, analyse four key determinants which collectively define Rwandan market attractiveness. **(12 marks)**
- ii. Analysing the above case, identify key actors who should be present in organization and work together in any firm to initiate a new idea and facilitate a company keeping on changing as well as adopting to new situations. **(12 marks)**
- iii. Assume you have been hired as a management consultant by one of the manufacturing companies in Rwanda, analyse the above case and:
 - a) Identify key analysis considerations of human resource management that should influence positively Rwanda manufacturing industry operations and lead to competitive advantage. **(5marks)**
 - b) Explain reasons why companies should have specific human resource plans. **(9marks)**
- iv. Describe how to analyse the most important aspects of Rwandan strategic ability that must be focused on to meet its goals and secure competitive advantages. **(12 marks)**

(Total 50 Marks)

SECTION B

QUESTION TWO

Umucyo business began its operations in 2006 as one and only company which was providing internet services in southern province of Rwanda. Umucyo strategy was to serve customers who wanted to be served at lower prices.

From 2006 to 2010 Umucyo performance was very impressive. The company has grown steadily and has ambitions to expand further in the next years.

In 2010 Umucyo company opened different branches in all Rwandan provinces including Kigali city. Considering the past achievements, Umucyo Management team decided to continue to apply the existed business strategies for all branches, however, during last five years period from 2010 to 2015, the company experienced a decrease in annual growth rate in revenues and net income of 3 percent and 5 percent, respectively. In that time its market share reduced from 70% to 20%.

Information provided by management team from the quick analysis they conducted, pointed out the key issues that are threatening the business success, including non-harmonized business marketing strategy, activities outsourced by the company, and specialized factors of production.

REQUIRED:

You are a consultant working for **Umucyo Company**, analyse the above case and:

- a) Advise Umucyo company management team on all key aspects of marketing strategy to be analysed deeply and give reasons to why. **(10 marks)**
- b) Describe the analysis that should be conducted by Umucyo company to decide on which activities to be outsourced or not. **(15 marks)**

(Total: 25 marks)

QUESTION THREE.

One of the key concerns of entrepreneurs is how to build competitive forces which is currently pushing all firms to rethink on their strategies and organizations structures.

BERWA Ltd (BL) is among the most successful retailers in Rwanda. It delivers different fashions of men and women clothes, kids' shoes and ladies' products of beautification.

BERWA to be competitive focuses on differentiation and high-quality products which meets customer needs. The company achieved its strategies through development of the divisional organizational structure, which consists of four independent divisions, such as women tops, men shapes, kids-up, and ladies' beauty. Each BERWA divisions has a complete authority to design, market, produce and conduct research to meet its specific customer needs.

All Divisions are decentralized which allows quick significant changes to meet the demands of its complex and rapidly changing environment, and diverse customers. Unique products with high quality are among key achievements of the company which has contributed to competitive forces of the business.

“Top clothes Ltd (TCL)” is another Company which is among the key competitors of **BERWA**. Realizing the remarkable performance of BERWA; **TCL** decided to change organizational design from centralized to decentralized structure, by keeping existing corporate and business strategies.

Top clothes Ltd.'s strategy was to use specialization which concerned with division of labour and allocation of tasks. Top clothes Ltd chose to use specialization to have an overall low-cost position to protect the company from buyer power and intense rivalry from competitors.

In its new structure, Top clothes decided also to have different divisions instead of having functional structures and managers are allowed to have full authority on functions under their divisions but by continuing to focus on low cost strategy to meet customer needs who are price sensitive.

REQUIRED:

- i. Assess the appropriateness of BERWA and Top clothes organizational structures.

(10 Marks)

- ii. Advise on how organizational structure and strategies can be re-organised to build competitive forces.

(5marks)

- iii. Explain characteristics and key to success for each of four basic organizational structures

(10marks)

(Total: 25 marks)

QUESTION FOUR

TETA Kirezi Company was founded in 2010 by **TETA Edwina**, one of the Rwandan youngest Ladies Entrepreneurs. The company is among the Rwandan successful retailers which offers

diverse products including **KIDS Clothes**, Ladies hand bags and shoes and all are made in Rwanda products from Igitenge as the primary material.

TETA KIREZI Company is operating in industry which is characterized by strong increase in sales which attracts other competitors who also want to benefit. Company market share and growth rate are increasing year by year.

From 2014 the company expanded internationally by exporting its products in France, Canada, South Sudan and Burundi. The company chose to specialise in very narrow segments with limited rivals. To position itself successfully, it focuses on market niches with limited substitutes or where competitors are weaker and targets the market with buyers who are less price sensitive.

The company operates in different countries and always puts more emphasis on cultural factors, social attitudes and purchasing power of customers to meet needs of diverse customers. In Africa significant number of customers are price sensitive, but in Canada and France they value quality of products than price to be paid.

The company is currently out-competing its rivals by building combined competitive advantages and adding to its product line and is supported by good supply chain which contributes to quality and cost advantages. It has win-win contracts with distributors, suppliers and sales persons, all to execute and meet changing customer needs.

The company integrated strategies of information systems, logistics and transformation, leads to highly competitive capabilities by driving down costs and providing outstanding product selection.

TETA KIREZI Company has also partnership with key success companies to display video-on demand services and uses information systems to provide to all key enablers detailed information about customer behaviours. In addition to that stated strategies, the company uses a team of experts for R&D who frequently talk to customers and listening to their needs and problems to offer unique products with excellent image totally different from those of rivals.

TETA KIREZI continues to use forward-thinking vision to reduce price, add value and become a cost leader.

REQUIRED:

- i. Describe five (5) generic strategies chosen by TETA KIREZI Company to build competitive advantages. **(10 marks)**
- ii. Explain typical reasons why appropriate strategies should be developed for each TETA KIREZI Company's customer base. **(6 marks)**
- iii. With reference to the case, describe the essential features and key factors of success of business which are at the same life cycle stage as TETA KIREZI Company. **(9 marks)**

(Total:25 marks)

