

---

---

**CERTIFIED PUBLIC ACCOUNTANT**

**ADVANCED LEVEL 1 EXAMINATIONS**

**A1.1: STRATEGY AND LEADERSHIP**

**MONDAY: 30 NOVEMBER 2020**

---

---

**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**

Girubuzima Company is among the most performing and growing manufacturing companies in Rwanda soft drinks market. It opened its first shop in Musanze district in 2010 and expanded business in other districts of Northern Province and city of Kigali. Currently Girubuzima has subsidiary companies in Burundi and Congo. Girubuzima produce and sells mineral water, fruit juices and sport drinks which are among drinks markets that are growing faster. It targets a wider range of people focusing on market segments that are based on activities, interests, and hobbies, therefore people from every category must share interests. Also, the business in choosing the targeted markets it considers variety of different preferences and purchase habits in different locations. For targeted marketing, communities and even neighbourhoods can be specifically used to market as well.

Girubuzima started business by only producing soft drinks and sell them to Wholesalers for distribution. Currently, the business has different shops in different areas for retail. For the potential business growth, the company factory plant, shops and subsidiaries are located in areas which give the best chance of beating the odds and keeping the business on track for future success. It is located in Northern Province and City of Kigali areas which bring significant government and local incentives like land at premium price, quantity and quality available basic materials among others. It is also operating in Burundi and Congo due to their markets emerging speediness and to availability of resources, buying culture and critical suppliers. As Girubuzima is a business which relies on frequent deliveries, raw materials and finished products, local transport links and costs have been considered. To satisfy different customers with different needs and interests, the business is located in areas where it is easy to access a healthy bank of talents. Besides that, Girubuzima makes it easy for customers to find its products and services.

To achieve customer satisfaction, the quality of the products and services are the business number one priority. Girubuzima does every work with customers in mind, and by providing better products and services than competitors. To effectively communicate with different customers in different segments, the company has developed an automating system which provides all needed information considering the different needs and interests of the users of the business products and services. Automating systems are also used by customers to provide their feedback. The systems are linked directly to getting staff at all levels for quick reaction. In addition to that, the company considers also those customers who are at easy with the use of face to face interaction. As result, employees always have updated information on customers, market and competitors.

The company has a significant competitive position at the market as it is one which provides a benchmark for others to follow or imitate. The business strives for excellence in everything it does; in products, in their safety and value, and its services, its human relations, its competitiveness, and its profitability. The company maintains mutually beneficial relationships with dealers, suppliers and its other business associates by developing automating strong and reliable communication channels.

To keep this position, Girubuzima is targeting both groups that currently are no- users and existing customers. The company emphasizes on promoting innovative company culture. Employees spend up to 20 per cent of their total time developing their own ideas which leads to new uses of existing products, new products and processes development, and increased ability of cope up with environmental changes. The company gives them extensive support, especially from their superiors, who act as coaches and mentors, rather than judges and leaders. Failure is accepted without criticism as part of the process. Advertisement strategies and different improved distribution channels are used to increase number of users and thus increased business market share. Everywhere business is located; it is always focusing on research and development to meet changing needs of customers in products and services.

Girubuzima Company uses basic, core and peripheral technologies to remain a leader company at the market and build competitive advantage. The information systems used by the business allows it to focus on organizational learning, knowledge creation and acquisition, and knowledge transfer; which leads to increase in production at low cost. The company continues to improve and optimize its information system to deal with its established and conservative customers set, suppliers, distributors, and to fit business model. Also business focuses on optimizing new technology into new market segments.

At this time, Girubuzima due to its established resources and capabilities, it is focusing on international diversification culture by increasing global competitive advantage using strategic leadership. With strategic leadership, the organization management team identify and deliver the purpose of the organization to the rest of the organization workforce and other stakeholders. Organization leaders are involved in continuous environmental scanning activities to identify a number of factors relating to strategy. The company copes with strategies' pressures and changes in the environment outside the organization. It also manages human resources inside the organization by inspiring and enthusing those inside organization. Organization leaders communicate with and listen to those inside the organization with the aim of spreading the knowledge, creating conducive environment by designing a good organizational structure and processes to implement a chosen strategy. Among others also organization requires organizational culture and develop code of ethics to guide all stakeholders on what is required for proper implementation of organizational strategy. Leaders put in place strategy evaluation procedures and techniques to measure progress and performance. Girubuzima leaders do not undertake these tasks themselves; they involve others in the organization at many levels.

Girubuzima is expanding business globally by exporting and opening new subsidiaries for new users of the products or unsatisfied users. Apart from exporting products to take advantage of international opportunities for the countries where customization is not a key factor for success, Girubuzima Company to position itself at global market, it opens subsidiaries to produce the products that meet local market customers' tastes and preference. It tailors its product selection, payment methods, and marketing to the values and regulations in each country where it operates. The company overall management is centralized in the home country, but country managers are given latitude to make adaptations.

**Required:**

- a. **With at least 4 vivid examples from the Girubuzima case, discuss the strategic options or directions taken by Girubuzima Company to increase its market share. (10Marks)**

- b. **With at least 2 relevant examples from the case discuss Girubuzima company's competitive position.** (4Marks)
- c. **With at least 2 relevant examples from the case explain different activities the company uses to protect its market.** (6Marks)
- d. **With rich examples from the case elaborate leaders' responsibilities for proper strategy implementation.** (10 Marks)
- e. **Considering Girubuzima company areas of location examine the factors that should affect its operational cost.** (5Marks)
- f. **Deliberate the effects of information systems used by Girubuzima Company to its business operations and performance.** (10Marks)
- g. **Discuss the reasons for Girubuzima to pursue a strategy of international diversification.** (5Marks)

**(Total: 50 marks)**

## **SECTION B**

### **QUESTION TWO**

The wooden furniture industry in Rwanda is a fragmented industry consisting of a large number of small or medium companies. It is among the Rwandan industries which have been marked by a strong demand and high profit. The companies in this industry produce and supply finished furniture, home and office accessories by order or by market demand in Rwanda and abroad.

Long lasting items such wooden furniture is often considered to be more of an investment, therefore almost the companies in the industry are made up of different carpenters or investors who decided to join together their resources to afford required huge amount of capital to be competitive and sustain their businesses in that sector.

Demand for wooden furniture in Rwanda is rising due to growing population, urbanization, and purchasing power. Most of the wood products are imported from abroad. Wood-processing industry make a substantial contribution to development as it can contribute to important economic growth. The market is expanding in Eastern Africa, riding on the back of its GDP and population growth. The demand also keeps on growing due to some countries in Africa which have weak furniture industries, creating import demand for Rwandan companies.

The industry in Rwanda is facing a high competition from South Africa, Asian countries, and Europe, which have very competitive value chains in furniture made from other materials. Alternative types of wooden furniture almost cost less. At local market, products are nearly identical. It is very difficult to differentiate companies' products, so furniture companies are always keeping on cutting the prices of their products to attract and retain existing customers. They benefit from discount on bulk purchases of raw materials. It was observed that existing players have built up a large base of experience over years to cut costs and increase service levels. Also they are forced to spend a large sum of money on advertisement and promotion to increase and protect their market share.

One of the most key challenges in this industry is the decreasing availability of hardwoods and an increasing emphasis on environmental protection of natural forests that led to timber harvesting ban on indigenous hardwoods. These inputs however are very much affected by the

external environment over which the wooden furniture companies themselves have little control. In addition to that, suppliers of inputs can pose a threat of forward integration very easily.

Buyers are price sensitive and their decisions are often based on how much does a furniture cost. In addition there is no single switching cost involved in the process. Even if a significant number of buyers do not buy in large quantity, they are many in number. Customers are able to check prices of different wooden furniture companies fast through the many online price comparison websites. In this industry brand loyalty does not seem to be that high. Furthermore, there are few legal barriers protecting existing companies from new entrants. But it is not easy for customers to enter into industry and produce the products themselves.

**Required:**

- a. **Discuss Michael Porter's five forces model and assess the attractiveness of Rwandan Wooden furniture industry to determine the level of threat to industry profitability for each of the forces.** (20Marks)
- b. **Advise the start-ups companies in Rwandan wooden furniture industry on different actions that should be taken to position their firms in a way that avoids or diminishes industry forces.** (5Marks)

**(Total: 25 marks)**

**QUESTION TREE**

Ishimwe Company is a diversified manufacturing enterprise founded in 2000 in Muhanga District. The company is producing and selling bricks and concrete. Its success of 19 past years depends on his founder Ishimwe Olivier who was the prime mover in terms of ideas and good strategies to exploit market opportunities. Unfortunately, Ishimwe Company is challenged by shifts in economy, competitive pressures and legislative changes. The company market share is declining day by day thus, the company directors found themselves being forced to analyse the current situation to take major strategic change.

The organization appointed Ingabire Barbara as Chief Executive officer to cultivate a new strategic direction for the business. According to her the first step was to conduct situation analysis. To complete this activity, she has chosen to use open debate to secure availability of accurate information and to overcome problems associated with resistance to change.

Ingabire identified internal and external key players in this change process to gather information on the root causes of unpleased current situation, and two main causes have been identified. Ishimwe Company was still using manual operated manufacturing machines to meet a large demand of quality bricks and concrete. The technology used by the business affects quality, quantity and time it takes to complete the production process. The technology requires business to use wood-burning stove which leads to high price of finished products due to increasing government emphasis on environmental protection of forests. Apart from the technology used by the business, Ishimwe Company performance is threatened by the lack of specialist taskforce.

Before making last decision on the new strategies, Ingabire convened a meeting of organization directors and management team to announce to them the identified causes of the current underprivileged performance and the proposed new strategies to take. Ingabire recommended

organization to recruit key specialist staff and let senior and middle managers be re-interviewed for their job and replace those who are not qualified. Ingabire also advised the business to replace manual operated manufacturing machines with new automated machinery. In addition to that, she suggested that the business should eliminate unnecessary processes and improve how the company uses materials.

After the meeting, Mugisha was appointed as Head of operations and human resource department. His job was to put in place the new administrative structure in marketing and manufacturing, and analyse activities required for the development of core competencies. Among 10 senior and middle managers, 6 were retained and 4 were replaced by others from outside of the company workforce. This resulted into non-managerial employees thinking that they will also lose their jobs. Organization at that time was facing the problems of increased absenteeism, loss of employee motivation and a high rate of accidents and errors.

For proper implementation of the new strategies, company directors decided to meet once a week with all employees involved in change process and those who should influence others very easily, to discuss on the progress and together identify solutions of arising problems. The communication channels were developed to share needed information, planned implementation, benefits, and who is affected and thereafter, to develop the shared vision on how to change for competitiveness. Training, mentorship and coaching activities were planned to work as team and to provide support and acquire new required competencies. The business adopts the culture of horizontal job specialization strictly based on the formal training. The company decided to follow a highly flexible structure with minimal formalization of employee behaviour and all employees within organization are allowed a certain level of empowerment and authority in the areas which they specialize in. Employees are also encouraged to use creative problem-solving skills and develop new products. But managers have to continue to comprehend and direct the organization when necessary.

The company workforce with recruited experts together set goals to be achieved, monitoring and evaluation strategies and flat reporting systems and procedures. Additionally, incentives and rewards policy was revised to recognize those who have successfully achieved change.

### **Required**

- a. **With clear examples from the case, discuss the Ishimwe company's "organization form of business management".** (3Marks)
  - b. **Examine at least three activities performed by Ishimwe Company at different stages of change process proposed by Lewin Kurt.** (12Marks)
  - c. **Explain the human resource management activities as espoused by Ishimwe Company to manage the key enablers of the success of its strategies.** (5Marks)
  - d. **Considering Ishimwe Company's strategic focus, explain corporate culture that should be introduced to support strategy implementation and explain why.** (5Marks)
- (Total: 25 marks)**

### **QUESTION FOUR**

Health posts are essential health care offering a range of services such as curative outpatient care, certain diagnostic tests, child immunization, family planning and health education. From the report issued by the Ministry of health (MINISANTE), it has been found that there is an issue of enough health care accessibility in all Rwandan districts. After different meetings with

key stakeholders a chosen intervention was to construct health posts at cell level. The project aimed to address the patient care and community service goals in 5 years from 2014 to 2019.

Ministry of Local Government (MINALOC) asked all districts as the beneficiaries of the project outcomes, to provide construction strategic plan and facilities' needs assessment, which were developed with participation of district hospitals and health centers as key sources of needed information and end users of the project outcomes. The construction strategic plan had to specify the space needs and major equipment, depending on the number of patients to be served. The district responsibility was also to hire engineering consultants and select their design team.

After receiving all required documents MINISANTE as financial sponsor, Rwanda Housing Authority (RHA) as regulator had to approve the project of each specific district and allow them to start to develop a concept design with enough details to obtain general cost of the project. MINISANTE and MINALOC agreed that at the completion of one phase the district must have approval from MINISANTE and RHA to be allowed to proceed to the next step. The phases included the development of construction strategic plan and facilities needs assessment, concept design development, appointing engineering consultants and design team, completing final design stage, acquiring a site, securing permissions, tendering the construction contract, appointing a contractor, and completion of construction of a health post.

Analysing the available skills and required competencies MINISANTE and MINALOC agreed on a program of training of key districts employees and consultants who were involved in the project process management and implementation. Therefore, MINALOC organized a training week that was held at Rwanda Housing Authority Conference Room and the later developed materials for training and different templates that were used for development of required documents. The trainers were from University of Rwanda, college of Science and Technology. Each district sent district engineer, district health administrator, engineering consultants and design team member to participate in the training on how to write a construction strategic plan, facilities' needs assessment and concept design. 120 team members were trained and were fully equipped with skills to perform assigned tasks. Then back to their respective districts good required documents were developed and assigned tasks were well performed. As result, health posts were constructed and contributed to the community improved quality life.

**Required:**

- a. **Using stakeholder mapping matrix, identify and explain the power and interests of stakeholders of the project of health posts construction.** (12Marks)
  - b. **Identify milestones of the health posts construction project.** (5Marks)
  - c. **Describe a results oriented chain of program of training of key districts employees and consultants.** (8Marks)
- (Total: 25 marks)**

