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**CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATION
A1.1: STRATEGY AND LEADERSHIP
DATE: MONDAY 26, FEBRUARY 2024
MARKING GUIDE AND MODEL ANSWERS**

SECTION A

QUESTION ONE

Marking guide

(a) Explain three roles of NCL’s Operations Manager.

Designing	2
Planning	2
Control decisions	2
Maximum marks	6

(b) Illustrate the six key elements of operations management NCL should focus on to improve performance mainly under cost control.

Forecasting demand	2
Job design or work study	2
Maintenance	2
Quality	2
Location	2
Purchasing	2
Inventory management	2
Any other valid point (will attract 2 Marks)	2
Maximum marks	12

(c) Advise NCL’s management which strategic approach they should adopt that would better help NCL to get back to the required performance standards.

Planned strategy	1.5
Emergent strategy	1.5
Opportunistic strategy	1.5
Imposed strategy	1.5
Conclusion	1
Maximum marks	7

(d) With the use of the Ansoff model, evaluate as to which strategic choice would better provide the opportunity for revenue growth at NCL.

Market penetration	2
Market development	2
Product development	2
Diversification	2
Conclusion	2
Maximum marks	10

(e) Assuming that NCL is pursuing the diversification strategy as its growth strategy, recommend the type of diversification that would be the most effective, providing clear examples.

Related diversification	2
Unrelated diversification	2
Vertical integration	2
Reccomendation	1

Maximum marks **7**

(f) Discuss the criteria that NCL would deploy to evaluate the chosen strategic option.

Suitability	4
Acceptability	2
Feasibility	2
Maximum marks	8

(Total: 50 Marks)

Model answers

(a) Operations managers make decisions around the design, planning, and control of the production system or production line.

The three roles of NCL’s operations manager are:

Designing

NCL operations manager is the one to design all the layout of the buildings under their management. He will need to ensure that each property contracted is followed up from the inception till completion.

Planning

Apart from designing, the operations managers should ensure that suppliers of raw materials are well selected in advance, inventory level are well managed to avoid stock outs or huge lead times, check the quality of construction materials being used, and the rate at which builders are doing their work.

Control decisions

Quality of work is important in construction, and since the operations manager follows up a project from start till completion, quality management remains paramount, even if the operations manager has several projects, they all must be sequenced.

(b) Illustrating the six key elements of operations management NCL should focus on to improve performance mainly under cost control.

Forecasting demand

The feedback that NCL will have collected along with the research findings, will facilitate better demand forecasting which would help it to know how many units to construct in each time, resource materials needed among other items.

Job design or work study

To effectively support aspects of wastage elimination, increased construction, and cost savings, NCL would also consider deploying method study which involves work measurement whilst developing the best methods of performing tasks both at design level and during actual constructions.

Maintenance

NCL should ensure that all equipment used in construction and finishing of properties are well maintained. Maintenance may be in the form of preventive maintenance, corrective maintenance, breakdown maintenance, and running maintenance.

Quality

While this is something that NCL had done in the past, it would be important to continue checking as to whether finished houses are “fit for purpose”. This may include quality control – checking the houses just before handing them over to their respective owners.

Location

Location of NCL head office and location of the finished houses they sell would directly have an impact on operational costs. Things to look at should include: proximity to market, government incentives, cost of land, availability of labour, availability of power, security, waste disposal, proximity to construction raw materials.

Purchasing

NCL purchasing manager would need to look at the purchasing mix (quantity, quality, price, delivery) which helps to ensure that adequate stock levels of construction materials for the building process are available.

Inventory management

Construction materials can take a long process to procure, and sometimes their storage can be expensive and this may directly affect a particular project cost. To resolve this therefore, would require adopting a modern method of maintaining minimum stock levels such as Just in Time (JIT) where possible, whilst ensuring that raw material levels meet construction demand.

(c) Advise NCL’s management which strategic approach they should adopt that would better help NCL to get back to the required performance standards.

There are four ways in which strategy formulation at NCL may occur and these include:

Planned strategy

This is the rational model that involves the analysis and evaluation of strategic alternatives. It appears this already exists at NCL but does not address its current challenges mainly due to changes in the dynamics of the business environment such as increased competition.

Emergent strategy

Emergent strategy requires that a conducive environment is established such that staff can produce some good ideas on what could be beneficial to the organisation as opposed to waiting for good ideas from the boardroom. This is already happening at NCL as all staff mainly managers including the Managing Director, are in support of the diversification strategy.

Opportunistic strategy

This type of strategy is influenced by an organisation denying that a planned strategy is important mainly when the business or the industry is in good times such as a boom period. This is an iterative short-term approach without a clear direction. In NCL’s current position, being opportunistic may not help, given the current challenge.

Imposed strategy

This is a kind of strategy mostly practiced in public sector entities where the locus of control lies in the hands of external stakeholder groups leaving the management with limited control over their strategic direction. At NCL, control is in the hands of both management and the shareholders. There appears no external influence towards NCL’s future plans.

The strategic approach that NCL should adopt that would better help it to get back to the required performance standards appears to be the emergent strategy. Management and shareholders are in agreement to pursue the diversification strategy and have equally contributed to reaching that decision which will enhance the buy-in at implementation.

(d) With the use of the Ansoff model, evaluate as to which strategic choice would better provide the opportunity for revenue growth at NCL.

Ansoff developed a model that enables organizations come up with growth strategies based on a combination of a firm’s activities in current and new markets, with existing and new products. The growth strategies from Ansoff matrix are: market penetration, market development, product development, and diversification.

Market penetration

This occurs when a firm takes its existing products to an existing market. This appears unlikely at NCL since competitors are already selling similar properties like those of NCL at a lower

price. Maintaining or increasing market share with the current business therefore appears unlikely.

Market development

This occurs when a firm takes its existing products to a new market. Unless NCL enters a new geographical location and may be, moves to any of the other provinces within the country to attract new customers; creating new market segments may not be easy for them. Besides, the competitors would also enter those markets immediately as they appear to have economies of scale that allows them to charge lower prices than NCL.

Product development

This would occur when NCL launches new style houses or apartments to existing markets through its internal research and development department. This would also force competitors to innovate and it is equally risky and expensive. Besides, low-cost houses and apartment might not be prepared to pay a lot of money, even if the houses were to be improved in terms of appearance and style.

Diversification

This would occur when NCL decides to come up with new houses or similar properties but in new markets. Diversification can either be for growth or for investing surplus funds. This time round NCL would be diversifying for growth purposes.

Based on the analysis above, NCL would be better off diversifying into new markets but with the same product line to mitigate the risk of completely entering a market without enough knowledge. This however, will also depend on a number of factors including whether the strategy is suitable, acceptable and feasible. Since the funds are available and the shareholders buy into the idea, then it is worth trying.

(e) Recommend the type of diversification that would be the most effective, providing clear examples.

There are mainly three broad methods of diversification:

Related diversification

This occurs when NCL remains in the same real estate market or industry in which it is familiar. For example, NCL is currently into real estate mainly dealing in luxury residential, affordable housing, apartment complex, and commercial as well as industrial buildings to now enter into road and bridge construction.

Unrelated diversification

This would occur when NCL diversifies into a new business without previous market or industry experience i.e., NCL investing into automobile business.

Vertical integration

This involves NCL acquiring or developing one or more important parts of its production process or supply chain. It may either be forward integration (NCL acquiring some of the real estate brokers) or backward integration – NCL acquiring some of the providers of its raw materials used in the construction business.

The recommended type of diversification is related diversification as it allows NCL to utilise some skills and competencies it already possesses to engage into roads and bridges construction. The Operations Manager has already testified to that, when he indicated that he possesses knowledge and skills in that particular area.

(f) Discuss the criteria that NCL would deploy to evaluate the chosen strategic option in (d) above.

Strategic options should be evaluated according to their suitability, acceptability and feasibility.

Suitability

NCL would need to set the criterion used for screening strategic options and equally indicate how it fits into the challenges identified in the strategic analysis and how it would sustain or improve competitive advantage.

At NCL suitability would be assessed by looking at whether the strategic capabilities match the market environment. In this case, the Operations Manager at NCL possesses ample knowledge and skills to start the operation of contracting for roads and bridges.

Cultural fit at NCL would be another aspect to look at; from the analysis, the management team together with shareholders are happy to engage into this area and appear enthusiastic as they contributed to this choice. Other competitor companies already in this field, may not be any different from NCL.

The research team at NCL may also conduct further research to contribute towards determining suitability of the diversification strategy including obtaining experiences from other organisations.

While using the above analysis, options ought to be selected by weighting, ranking or devising scenarios.

Acceptability

NCL would need to examine as to whether a specific strategy is acceptable to the stakeholders of the organisation through the use of financial returns i.e., payback periods, Net Present Value, cost benefit analysis; analysis of risk – use of financial ratio projections, sensitivity analysis, decision matrices, simulation modelling among others.

For acceptability purposes, shareholders reactions would also be paramount to which they have already accepted to go with diversification and NCL’s NPV is equally positive.

Feasibility

Feasibility is concerned as to whether a specific strategy at NCL can be implemented successfully by use of funds flow analysis – availability of funds and their sources, breakeven analysis, and resource deployment analysis.

Funds are available as the shareholders of NCL have pledged to invest in any strategy that can guarantee improved performance and profitability. With a positive NPV and a four-year payback period, investing in a diversification strategy appears worthwhile.

In terms of other resources, the staff and management appear excited to implement this strategy which further confirms its feasibility.

SECTION B

QUESTION TWO

Marking guide –Airnet Ltd

(a) Giving examples, discuss three factors that are influencing change to occur in the manner described above.

Globalisation	2
Technology developments	2
Changing nature of the labour force	2
Any other valid point (will attract 2 Marks)	2
Maximum marks	6

(b) With reference to Airnet Ltd.’s scenario above, critically evaluate the four roles

Inventor or idea champion	2
Champion	2
Sponsor	2
Critic	2
Maximum marks	8

(c) Explain at least four other ways through which Airnet Ltd can initiate the needed change

New venture teams	1
New-venture fund	1
Idea incubator	1
Open Innovation	1
Any other valid point (will attract 1 Mark)	1
Maximum marks	4

(d) Explain one drawback and discuss six advantages that Airnet Ltd would benefit from the shift as per the CEO’s recommendation.

Diversification	1
Positive competition	1
Flexibility	1
Customer focus	1
Knowledge transfer	1
Specialisation	1
Duplication of work	1
Any other valid point (will attract 1Mark)	1
Maximum marks	

(Total: 25 Marks)

Model answers – Airnet Ltd

(a) Giving examples, discuss three factors that are influencing change to occur in the manner described above.

The three factors influencing change to occur are:

Globalisation

This is mainly due to intense competition resulting from domestic markets opening up for foreign investors. For example, Airnet Ltd opening up a subsidiary in Rwanda with its head quarter based in Niece, Eurasia.

Technology developments

This is an area that has registered the most dramatic changes. For example, teleworking and Digital Payments Solutions (DPS) which make the control of complex operations much easier. Airnet Ltd will be able to allow its customers access their mobile wallet against their bank accounts and vice versa once the DPS platform is integrated.

Changing nature of the labour force

Labour force is changing significantly globally in terms of composition, values and expectations. Now that Airnet Ltd has a subsidiary company in Rwanda, it may utilise some young work force by transferring them to the headquarter, if they do not have enough resources or even replacing the would-be employees who would have aged out at the head quarter.

(b) With reference to Airnet Ltd.’s scenario the four roles are explained as below:

To champion an idea requires roles within the organisation. Sometimes a single person may play several roles, though successful innovation would require a chemistry of several people.

The four roles as per Airnet Ltd.’s scenario are:

Inventor or idea champion

This refers to a person who sees the need for change and champions it. Mr. Peter Mugabo, the CEO is the one who discovered the need to have a Digital Payment Service. He equally explained why it is important for Airnet Ltd.’s competitive landscape whilst ensuring that the rest of the other management team do not reject what he considers a noble development. Mr. CEO is therefore the Inventor. He can also fit into some other roles even though, he was not so sure how to proceed, with implementing this idea.

Champion

This is a person passionately committed to a new product or idea despite rejection by others. The Chief Consumer and Digital Manager, who appears to be passionate about the idea, and had also pledged to follow it up with the concerned stakeholders, even though the Human Resources Manager had rejected it; is the champion. In the follow up, he is expected to mobilise finances as well as garner other needed support. This idea can only be implemented if there are champions who can see benefits, whilst confronting realities, such as this Manager.

Sponsor

This is a high-level manager who approves, protects, and removes organisational barriers to the acceptance of the idea. The Chief Financial Officer who addressed some critics of the Risk and Compliance Manager by ensuring him that, by the time the platform is launched, all paper work and the required approvals shall have been sought; is therefore the sponsor.

Critic

The critic prevents people in other roles in the organisation from adopting a bad idea. He or she provides reality tests and looks for shortcomings. The worry about the intellectual property rights when the initiative is implemented can therefore be considered as constructive criticism which after its assessment would help the evaluation and eventually promotion of the initiative. The Risk and Compliance Manager is therefore the critic.

It appears that the CEO would be the only person who can play more than one role: the role of an inventor and the champion role, because of his passion and having been the one that initiated the idea.

(c) Explain at least four other ways through which Airnet Ltd can initiate the needed change.

New venture teams

Airnet Ltd would decide to develop a unit that can be used for only the purpose of developing and initiating creativity and innovations including following up the new platform that they wish to integrate with the bank.

New-venture fund

Airnet Ltd would initiate a fund that provides resources from which individuals and groups draw on, to develop new ideas, products or businesses.

Idea incubator

This is an in-house programme that Airnet Ltd may introduce that provides a safe harbour for developing ideas that will not suffer from the interference from company bureaucracy or any other hindrances.

Open Innovation

Airnet Ltd would innovate by extending the search for new ideas outside its boundaries. Here Airnet Ltd would be expected to acquire another business or purchase the idea from another company.

(d) Explain one drawback and discuss six advantages that Airnet Ltd would benefit from the shift as per the CEO’s recommendation.

One drawback and six advantages of “Organisation by Product Division” kind of structure that Airnet Ltd would encounter are:

Diversification

Airnet Ltd would be able to evaluate the various sections independently such as voice and data, wireless services, mobile commerce, fixed line services etc. as profit centres and this in the end would allow Airnet Ltd to achieve a competitive advantage in those respective product markets. In other words, when one line suffers a loss, Airnet Ltd would expect profits from the other line.

Positive competition

As Airnet Ltd business grows or declines, it would be able to focus and compete effectively; which may call for more additional profit centres being added or consolidated.

Flexibility

The co-ordination of activities between functions can occur more quickly as the autonomy that is characterised within this structure, would allow Airnet Ltd to quickly respond to changes in the telecommunication industry and adapt relevant strategies.

Customer focus

Each product department at Airnet Ltd would focus on the needs of the customers since each division has the autonomy to allocate resources and define appropriate strategies according to the telecommunications industry conditions.

Knowledge transfer

Management development at each Airnet Ltd.’s profit centre occurs across a variety of activities thereby allowing Airnet to expand its knowledge or expertise. This would later underpin Airnet Ltd.’s overall success.

Specialisation

Airnet Ltd.’s staff are focused on the product objectives and not distracted by wider companywide goals. Likewise, employee-specific skills are assigned to each line, which allows them to learn new skills and gain expertise in specialized areas.

Duplication of work

However, the biggest challenge with this structure is duplication of work processes and functions, thereby becoming more costly and consuming more of Airnet Ltd.’s resources.

QUESTION THREE

Marking guide

(a) Discuss five requirements that should be in place if the strategy of digitalising Iwacu Sacco is to be effectively implemented.

Availability of resources	2
Availability of staff	2
Consensus	2
Work environment	2
Effective communication	2
Budget	2
Any other valid point (will attract 2 Marks)	2

Maximum marks 10

(b) Explain what Mrs Uwera Jane's role would be as a strategy implementer at Iwacu Sacco

Getting staff buy in	2
Do it in phases	2
Initiate corrective action	2
Keep firm responsive to changing conditions	2
Exercise ethics leadership	2
Any other valid point (will attract 2 Marks)	2

Maximum marks 10

(c) If the process does not go as per the plan, explain how Mrs. Uwera would successfully make corrective adjustments.

Situation analysis	1
Business judgement	1
Implementation	1
Conclusion	2

Maximum marks 5

(Total: 25 Marks)

Model answers

(a) Based on the tasks ahead for Iwacu Sacco to restore its performance, discuss five requirements that should be in place if the strategy of digitalising Iwacu Sacco is to be effectively implemented.

The five requirements that should be in place if the strategy of digitalising Iwacu Sacco is to be effectively implemented are:

Availability of resources

Iwacu Sacco should ensure that it has all required resources needed to implement the strategy including guiding policies and procedures that are needed and should be found in one place.

Availability of staff

Iwacu Sacco should ensure that it has the right number and quality of staff with the needed skills and experience to implement the strategy, and all those staff should have the same goal with clear structures and systems to support the work flow.

Consensus

Iwacu Sacco should ensure staff consensus and enthusiasm is available and that staff are provided with everything they need to ensure success including knowledge of their responsibilities.

Work environment

Iwacu Sacco should establish a conducive work environment and corporate culture that supports and embraces strategy implementation. In other words, the buy-in should be secured well in advance such that no single individual should be doubting what is yet to be realised.

Effective communication

Iwacu Sacco structure should be designed for open communication and frequent meetings where applicable, and this must be applicable to the entire staff team and other stakeholders explaining the reasons for the digitisation strategy.

Budget

Iwacu Sacco should create a healthy budget and allocate resources needed for strategy implementation. It would be important if the budget is approved by the board.

(b) Mrs. Uwera Jane, the Iwacu Sacco CEO, has been tasked with the leadership role while implementing this strategy. Explain what her role would be as a strategy implementer at Iwacu Sacco.

Leadership roles for Mrs Uwera Jane as the strategy implementer are:

Getting staff buy in

Mrs Uwera should remain optimistic and top of everything happening within Iwacu Sacco and she should explain to the entire staff team why implementing a digitisation strategy is necessary including closely monitoring the progress.

Do it in phases

Implementing a corporate strategy is better when done in phases. Mrs Uwera should strive for operational excellence by identifying which implementation phase would be complete as she transitions to the next phase, with a bit of constructive pressure to effectively execute the digitisation strategy. Each phase would start after the previous phase has been successfully completed.

Initiate corrective action

Mrs Uwera should be able to initiate corrective actions to improve strategy execution whilst ensuring that the targeted performance results are achieved including devising new ways of preventing recurrence.

Keep firm responsive to changing conditions

Mrs Uwera should strive to remain hyper focused by not only attending to the internal operations of Iwacu Sacco, but also prepare to address the external environmental threats or take advantage of any new opportunities including listening and anticipating customer needs.

Exercise ethics leadership

Implementing a strategy requires an empathetic leader. Mrs Uwera should listen when spoken to and recognise each member and staff input. This will help her understand what the employees are going through during this period of digitisation whilst building effective relationships.

(c) Mrs. Uwera Jane, the Iwacu Sacco CEO was equally entrusted to take the lead in making corrective actions while implementing the strategy. If the process does not go as per the plan, explain how Mrs. Uwera would successfully make corrective adjustments.

Mrs Uwera would successfully make corrective adjustments by doing the following:

Situation analysis

She will need to conduct a thorough analysis of the situation by figuring out what did not go well as per the plan.

Business judgement

Secondly, Mrs Uwera would be expected to perform good business judgement in deciding what actions to take.

Implementation

And finally, Mrs Uwera would thoroughly implement the corrective actions as per her judgement above.

Conclusion

It is important to note that the business would require both proactive and reactive adjustments, as well as the reshaping of long-term direction, objectives, and strategy to make things happen. For example, if the initial plan was to digitalise 5 branches, and only 3 have been digitalised so far, Mrs Uwera would have to decide the way forward which includes engaging the supplier and amending the contract accordingly. After amending the contract, the project scope will have been revised, and then Mrs Uwera follows up on the implementation, as per the revised scope.

QUESTION FOUR

Marking Guide

Qn	Description	Marks
a)	1. Features of a project	
	• Uniqueness of the tasks	1
	• Resources	1
	• Cross functional team	1
	• Time limit	1
	• Interdependent tasks	1
b)	Documents	
	• Project initiation document	2
	• Business case	5
	• Project plan	5
	• Project evaluation plan	3
	• Risk analysis	5
Total Marks		<u>25</u>

Model Answers

(a)

- The main characteristic identifying a project is the **unique nature of the task** and the fact that it is a step into the unknown for the company carrying out the project. It appears, although Nega Cosmetics has developed and grown as a company by implementing the ideas of the CEO, that ‘Beauty Rush’ is a new activity for the company.
- Projects need resources in order to complete them.** This task would be unable to go ahead without the digital equipment mentioned, human resources to staff the race, product samples and financial resources for procurement of the venue and all other costs involved.
- A cross-functional project team.** The production manager will need to be involved if there is a requirement for product samples, the IT manager will need to be involved to ensure the display screens and digital timers are appropriate and working as required, the procurement manager will need to be involved for the race equipment, accounting will be needed for costing purposes and as it is to be a marketing project, that department is likely to be heavily involved.
- Projects are distinct from routine day-to-day activities, and as such, have a defined end-point.** This will be after the race is completed and all post-race entertainment ended, in this instance.
- Projects also incorporate a number of inter-dependent tasks.** For example, advertising for this event cannot go ahead until the venue has been sourced and the date of the race decided.

(b) The documentation will help to ensure success of the project as follows:

1. **Project initiation document** - The project initiation document (PID) is effectively a project charter which serves as formal communication within the project team as well as between them and other project stakeholders. If all details are documented and agreed by the parties involved, this should give a clearer view of expectations of all parties and therefore ensure that they aim to fulfil those expectations.

2. **Business case.** The business case details the business justification for the project. It seems that Rachel has a tendency to drive projects without necessarily considering the financial impact. The business case would deliver a cost-benefit analysis in addition to determining the feasibility of the project. This would require predictions of cash flows and future financial benefits from Mary, along with details of any assumptions made. For example, if there is deemed to be a link between the number of runners signing up for the event and the future increase in sales revenue. Feasibility would be considered in terms of whether sufficient resources exist (financial, human and physical), whether there is sufficient time to carry out the project and whether it fits operationally with the way that Rush works. By carrying out a feasibility study, it ensures that projects are not undertaken which are likely to fail for one of those reasons. It is at this stage when the project can still be cancelled, before the execution phase begins. The business case would also cover how this project fits in with the overall strategic direction of the company. As Rush is known for being innovative in its approaches, this may fit in well as an innovative approach to marketing.

3. **Project plan.** Project planning can have a major impact on the success or failure of a project, and is important, both in advance of the project formally being put into action and during the execution of the project. The documentation of such a plan will ensure that all aspects of the project are set in advance, preventing the project becoming different to what it is intended to be. This may be important in Rush, given the CEO's tendency to become obsessed with projects, and to let the ideas 'run away with her...regardless of the cost'. The purpose of a written project plan is to establish the appropriate project management environment required to complete the project successfully, ensuring that all resources are defined in advance, and that stakeholders are aware of what will be necessary to complete the project.

4. **Project evaluation plan** – This will clearly state how the success of the project is to be measured. For example, will it be on the overall increase in company sales or will it be restricted to the products being given away as samples and treatments during the event? Will the measurement be entirely on sales or is the success to be measured in the change in the level of brand recognition following the event?

5. **Risk analysis** - Every project and company will have individual risk factors which need to be determined in advance, in order to minimize either the impact or the likelihood of the risk occurring. Anything which could pose a risk to the project's success should be identified, along with the likelihood of it occurring and the seriousness of the impact. The risk plan should also include ways in which these risks will be managed (avoidance, reduction, transfer or acceptance) and contingency plans should be defined should these risks actually occur during the project. For example, risks to this project may include inclement weather delaying the

creation of the race course, or the actual running of the event. The likelihood of this could be minimized by creating a course which could be completed in most weather conditions, and beginning the course building with plenty of time to spare. However, the risk cannot be completely avoided and therefore the financial impact could be reduced by taking out insurance against such an occurrence.

END OF MARKING GUIDE AND MODEL ANSWERS