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

DATE: MONDAY, 25 JULY 2022

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.
6. The question paper should not be taken out of the examination room

SECTION A

QUESTION ONE

Rwemas Ltd

Denis Rwema is a successful businessman in Kigali, Rwanda. He has been running a 10-acre shoe-making factory for 30 years with about 20 employees. The factory's main products are open shoes (sandals), semi-leather shoes for official wear targeting elderly customers – aged between 50 and 60 years and decorative shoes for entourage of brides and bridegrooms during weddings. His factory's inputs include goat skins, cow skin (to a small extent), electricity, glue imported from China through Kenya and Uganda. He also uses cars' old tyres to make shoe-soles, but the sole's stiffness has made shoes less attractive for brides and bridegrooms and their escorting entourage.

The shoes made for old people reflecting the traditional shoe-wearing style have admirers from cultural enthusiasts especially old age generation. Young and middle-aged customers find Rwema's shoes reflective of ancient time and unattractive. A newcomer with better products into this market would not only threaten the factory but would drive it to its disappearance. He has dismissed feedback on the need to work on stiffness of the shoe-soles and calls it 'unreasonable pressure' from trendy young generation. He hates feedback and proposals to improve his products, 'my factory has survived for long, it will go on without fashion-hungry generation,' Rwema recently said. As such, if Rwema does not embrace quality customer services and innovation, the days of his factory's existence are numbered, some customers have observed.

While the factory has existed for so long, by 2020, it was not registered at the office of the Registrar General of companies in Rwanda through Rwanda Development Board (RDB). Rwema has not heeded to Government's campaign to professionalise business activities operating without Government's notice.

In a recent report by Shema Consulting Ltd, a consulting company hired by Rwanda Revenue Authority (RRA) in 2021, it was revealed that there were significant weaknesses in the way the factory is managed. The report noted that Rwema runs the factory like his family. All decisions are either made by himself or his wife, Josianne Uwizeye. The findings in the report also revealed that employees were unsure of the company's vision and mission and worked in a 'vacuum'. In addition to the factory not having a clearly jotted down mission and vision statements, management had never considered drafting a strategic plan on which daily actions would be based. Rwema took decisions as he saw fit and most of his decisions defined by the factory employees as ad hoc and not based on data.

Shema Consulting Ltd's report further revealed that although most staff had formal education in their respective roles and were experienced, they not received any training in recent years. Although the factory had accumulated plenty of cash reserves over years, it's profitability in recent years had plummeted raising questions over the factory's capacity to borrow and hire.

Although Rwema had no formal education and was 70 years old, his son Semana who also served on the management team had a master's degree in strategic management and leadership (SML). Semana, like his other two siblings and other family members, had little say on what happens at the factory.

Goat and cattle-farmers have been the main suppliers of animal skins to Rwema's factory. His relationship with suppliers had gone from bad to worse especially when customers started referring to his products as not only old but reflect a mismatch between modernity and ancient days. 'This is not an opportunity, but a serious existential threat for my factory,' Rwema lamented to his friend through a WhatsApp message about RDB's announcement. 'I am gone,' he added with many exclamation marks. 'Had you planned and reinvested factory returns back into the factory, built employees' capacity, this would have been a huge opportunity for business expansion,' the friend candidly replied. The Rwanda Development Board (RDB) commissioned two Business Strategists to analyse the factory's capacity and readiness to grab the investment incentives in skin and leather in Nyagatare, eastern province. Their report's conclusion was:

'Rwema's factory uses old machines, employees lack capacity, the owner's shrewdness is unquestionable, and this is attributable to factory's long existence. Rwema is the factory, and the factory is Rwema. He lacks an understanding of modern business management concepts, principles, and techniques. His age is so advanced, but his knowledge and factory's outputs are not advancing. Despite all this, his business beliefs cannot be changed. Don't bank on Rwema as a potential investor.'

From Rwema to Rwemas Ltd

The factory's history entailed challenging issues, existential threats and its future rested in embracing change of leadership, management style and overhauling its fundamental value system. Findings and recommendations of the two reports were hurting to Rwema but were favourably welcomed by his children, especially his first son Semana who had distantly watched his father's management of a once successful factory go down the drain of near failure. Some employees who had a wind of the report's findings were in jubilation. Semana agreed with the report's recommendation: changing company leadership and management.

On 20 March 2020, the general assembly involving Rwema's three children, his wife and uncles spent a whole day meeting to discuss the future of the factory. On the agenda was replacement of Rwema; professionalising the factory management and strategising to seize local opportunities presented by RDB. Restoring the factory's declining finances, reputation, and chief resources: employees constituted part of the agenda of the family meeting referred to as 'a factory grab' by Rwema.

The general assembly successfully concluded the meeting and developed one major theme: 'change and thrive, resist change and perish.' Also included in the meeting were other pertinent points relating to how to move forward: Rwema retreats (retires) and allows his son, Semana drive the business from the current low base to greatness by firstly registering the shoe-making business with Rwanda Development Board (RDB) under the name: Rwemas Ltd; Rwema gets the majority shares in the newly created company and the rest of the family members get

minority shares; Rwema becomes the chairman of the Board of Directors and his decisions and actions shall be within defined procedures and scope of corporate governance. The trickiest decision of the meeting was about that the new Chief Executive Officer, Semana will have to use his acquired knowledge and skills in negotiations, strategic leadership, and management to professionalise the factory management, pay off outstanding taxes; restore the factory's reputation in the community and remain loyal to his father who is equally the chairman of Rwemas Ltd.

Some of the quick changes established by Semana and his new management team included moving away from a self-centered style to a customer-centered approach where the needs of customers were given priority instead of clinging to old-fashioned shoe styles. For instance, the company transformed the shoes-soles from stiffness to softness, a change that was greatly welcomed by customers. Secondly, Semana hired a consulting firm to assist in drafting the company's business strategy. This exercise also constituted establishing formal mission and vision statements, all of which helped set a direction for the company and employees. The consultant also advised the company to consider adopting modern shoe-making machinery and equipment, train staff, and patent and copyright the company's innovations. All these changes helped restore the factory's reputation in the community and with key stakeholders such as the government and suppliers. Staff were heard saying that they felt proud working for Rwemas Ltd, something never heard of before. Staff now show signs of improved confidence, commitment, and motivation than during they did Rwema's leadership but it would take time for them to feel confident and ready to work on their own.

Required:

- a) **Examine strategic challenges the factory faced when it was under Rwema's leadership.** (12 Marks)
- b) **Discuss key strategic choices made by Semana in his attempt to restore the factory's glory.** (12 Marks)
- c) **Conduct a resource audit of Rwema's factory before Semana took over the factory's leadership and comment on the strength of the factory resources.** *Note: Tabulate your answer.* (14 Marks)
- d) **Applying the Hersey and Blanchard's Situational Model of Leadership, advise Semana on which appropriate leadership styles he should adopt at different stages of the company's transformation process based on staff's readiness.** *Note: You are encouraged to make reasonable assumptions about staff's readiness.* (12 Marks)

(Total: 50 Marks)

SECTION B

QUESTION TWO

Kamariza Company Limited (KCL)

Kamariza Company Limited (KCL) is a company located in Kiyovu and was established by Ms Kamariza Daria in 2000. The company produces and sells different kinds of bread, cakes, samosas, cookies, and other wheat-rich products. After Ms Kamariza Daria left for Canada in 2010, the company went under the leadership of her daughter, Ms Ikibasumba Doriane.

KCL's industry is highly competitive because it contains many players. KCL has been mostly successful because it sells most of its products at competitive prices relative to other market players. KCL's goal has been to ensure that every home afford a loaf of bread and not looking at bread as exclusively for the rich. In addition, KCL's other products such as samosas and cakes offer multiple benefits to customers compared to others on the market. For instance, KCL's samosas contain different ingredients such as peas, vegetables, and flavours which customers may dissemble and slightly re-cook to prepare a different meal in addition to eating them. They are also bigger than others on the market. Further, KCL's cakes offer an option for customers to quickly change designs, suggest alterations even after the final cake is made, and add their own words easily. KCL also offers premium cakes and samosas for premium prices for a set of premium customers. These strategies have allowed KCL to amass market share.

Although KCL boasts market dominance because of its low prices coupled with more customer benefits, there has been reported complaints by staff members regarding their treatment by Ms Doriane. Unclear rules and policies, sexual harassment, and bullying, harassment and discrimination are some of the allegations raised by staff. On reading a whistle-blower's comments in a popular newspaper, KCL's board decided to launch an investigation in the company's treatment of its staff.

Investigation findings seem to speak to staff's allegations. The investigation report reveals that decision-making by Ms Doriane is not based on technical facts, but feelings; employees work based on threats rather than a defined plan; and no clear salary structure but undocumented rewards reducible or increasable as per Ms Doriane feelings. Part of the report read 'Ms Doriane recently slapped and fired a respected security guard resulting a lawsuit which costed KCL FRW20,000,000 in compensatory.' KCL has also been accused of mismanagement of the environment, air pollution and noisemaking by employees. Another critical issue revealed by the investigation is the allegations relating to sexual harassment. One lady, Specioza Ntakundi, claimed she has been sexually harassed by her male manager. She even produced phone texts as evidence of her claims against her supervisor. It is also suspected that KCL evades taxes by incorrectly declaring taxes to Rwanda Revenue Authority (RRA).

Although the board has promised to implement change through management, staff are sceptical as whether Ms Doriane will actually change.

Required:

- a) Explain ethical issues highlighted in the case study. (11 Marks)
 - b) Using the Bowman's Strategy Clock, identify and analyse KCL's business competitive strategy. (7 Marks)
 - c) Discuss common reasons for Ms Ikibasumba Doriane's possible resistance to change. (7 Marks)
- (Total: 25 Marks)**

QUESTION THREE**Ngenzi & Associates Ltd (NAL)**

Ngenzi & Associates Ltd (NAL) is a consulting firm located in Rusizi. The firm is comprised of industry-specific experts in areas such as business management, auditing, tax advisory, and accounting among others. NAL's experts offer professional advice, guidance, and actionable solutions to clients experiencing specific business needs. NAL organises its experts in ad hoc teams based on open client projects.

Mr Ngenzi Richard, the firm's Managing Director, assembled a team of available experts from the firm's pool to undertake a business advisory project for a client in Nyamasheke. Table 1 below demonstrates the assembled team members and their expected team-role contributions:

Table 1: NAL's Assembled Team for a Business Advisory Project

Name	Expected team-role contribution
Kamagaju Farida	She is known for being mostly practical, efficient with her time, and can always be reliable on. She basically collates all ideas from other team members and turns them into actions.
Ntambara Isaac	Isaac is seen a mature fellow who is good at identifying talent with the team, clarifies goals to other team members, and delegates roles quite well. Because of his maturity, he is seen to be confident in what he does.
Tambirimana Kelly	Kelly is the out-going of all. She is often enthusiastic and warms the team up even in trying moments. Her communication skills are relatively excellent and she is good at exploring available opportunities and sharing them with other team members.
Rudasingwa Ronaldo	Ronaldo acts as a diplomat in his interactions with other colleagues. His colleagues like him because he listens carefully and ensures harmony in the team while being co-operative with almost everyone.
Kankindi Kardashian	Kardashian is the most introverted of all. She often enjoys working alone. Kardashian is described by her colleagues as being an expert in what she does as she is often the go-to person for specific knowledge and skills on most projects.

Mr Ngenzi usually assembles a group based on diversity in behaviours and characteristic. He believes that groups composed entirely of clever people, or of people with similar personalities, display a number of negative results and lack creativity.

Although Mr Ngenzi is good at selecting effective teams and matching team members, he is often described as a bad listener by her colleagues and subordinates. His poor listening skills often hinder his communication to others. He is said to often interrupt others when they are talking, is easily distracted, listens for facts only, usually unfocused when others are talking, and pays attention only to ideas that confirm to his own opinions. For instance, Mr Ngenzi recently interrupted Ms Kardashian as she was trying to get across an idea of establishing NAL's mission statement, which is non-existent at the moment. Mr Ngenzi simply disparaged her without giving her a chance to explain the importance of having a mission statement.

Required:

- a) If Mr Ngenzi had given Mrs Kardashian a chance to explain their point, **what would Mrs Kardashian have explained as the importance of a mission statement to NAL?** (5 Marks)
- b) With reference to the Meredith Belbin's nine (9) Team Roles, **identify team roles played by each team member in table 1 and their allowable weaknesses.** *Note: Tabulate your answer clearly indicating the name, team role, and allowable weaknesses.* (12 Marks)
- c) You are a Communication Consultant. **Draft an official email to Mr Ngenzi advising him on how to turn each of the bad listening habits in the case study into good and effective listening.** *Note: Tabulate the main body of your e-mail.* (8 Marks)

(Total: 25 Marks)

QUESTION FOUR

Karekezi Sports Ltd (KSL) and Mwemeze Sports Ltd (MSL)

Karekezi Sports Ltd (KSL) and Mwemeze Sports Ltd (MSL) are two rival sports start-ups selling sports clothes and equipment. They are both located at Gisimenti in Kigali and are both located next to each other. The sports industry in Rwanda is competitive with many players. KSL and MSL have agreed to form joint venture to supply sports clothes to regional sports tournaments that scheduled to happen in Rwanda and other regional countries over the next three years. This was because the demand was too much to be met by a single company, hence, both companies agreed to create a new entity that is owned separately and equally by both companies but each company will remain independent of the other. The joint venture's name is Karekezi & Mwemeze Sports Ltd (KMSL). It is possible that other sports companies may form similar arrangements to compete for the golden opportunity.

KMSL intends to supply sports clothes for teams from five regional countries including Rwanda with a total demand of approximately 2,000,000 units. The teams will be competing in three sports including football, basketball, and volleyball for men and women in each sport. The ratio of men to women is 1:1 and all players range between 15-25 years old. With the price of sports clothes going down due to competition by so many companies in the industry, the market has had steady growth throughout the region, although sales have slowed down in some markets.

KMSL offers several advantages over other sports companies and possible joint ventures: it has special access to in-depth industry experience and insight and it has creative yet practical product designers. However, the company has some weaknesses which include reliance on outside capital necessary to grow the business and the difficulty of developing brand awareness as a start-up company.

KMSL has the capacity to meet 100% of the demand and it is able to produce clothes that meet the taste of players from each category. All clothes will be priced based on a per-product retail price and will be delivered directly to team camps depending on where the tournament is taking place. KMSL will also be sold through the company's website. KMSL's mission is 'We exist to ensure that our customers look good on the pitch.' The company's objectives are to ensure that they win every sports clothing tender in the region and grow on a quarterly basis in addition to decreasing customer acquisition costs by 2% per quarter while increasing e profit margin by 2% per quarter through efficiency and economy-of-scale gains. KMSL will position itself as a cost leader in the region.

KMSL has created marketing tactics to ensure that it is well known and trusted by governments and sports tournaments organisers across the region. KMSL's marketing program will seek to first create customer awareness concerning the offered products and services and then develop the customer base.

KMSL's projected sales and marketing expenses are presented in tables 2 and 3 below:

Table 2: KMSL's projected sales

	2023
Sales	FRW million
Football	455
Basketball	72
Volleyball	68
Total Sales	<u>595</u>
Direct Cost of Sales	
Football	82
Basketball	13
Volleyball	11
Subtotal Cost of Sales	<u>106</u>

Table 3: KMSL's projected marketing expenses

	2023
Expenses	FRW million
Web Site	25
Advertisements	8
Printed Material	1
Total Sales and Marketing Expenses	<u>34</u>

The average per unit revenue and average per unit variable cost are FRW25,000 and FRW2,000 respectively. KMSL's fixed costs are FRW1,200,000. Sales and direct cost of sales are projected to by 5% per annum while marketing expenses are expected to grow by 3% per annum for the next two years. KMSL will be monitoring its performance through monthly revenues and expenses as well as customer satisfaction.

Mrs Kayirebwa Sharon is KMSL's Chief Marketing Manager and has been tasked by the Managing Director to start thinking about a marketing plan to be used if KMSL wins the opportunity.

Required:

- a) **Assume you are Mrs Kayirebwa Sharon and draft a marketing plan for KMSL based on the information in the case study. *Note: Round your calculations, if any, off to two decimals places.*** (15 Marks)
- b) **Determine the method of strategy development being implemented through the KMSL joint venture and discuss possible motives for both KSL and MSL in pursuing this method of strategy development.** (10 Marks)

(Total: 25 Marks)

End of question paper.

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