CERTIFIED PUBLIC ACCOUNTANT

ADVANCED LEVEL 1 EXAMINATION

A1.1: STRATEGY AND LEADERSHIP

DATE: MONDAY 27, NOVEMBER 2023

MARKING GUIDE & MODEL ANSWERS

ICPAR NOVEMBER 2023

SECTION A

Marking Guide – Question one

a) **Discuss methods of market segmentation that MCL should consider.**

Demographic segmentation	1
Geographic Segmentation	1
Buyer behaviour	1
Psychographic or personality segmentation	1
Maximum marks	**4**

b) **Discuss some of the benefits that MCL would enjoy after segmenting its market**

New product opportunities	1
Market control	1
Identification of customer needs	1
Improved profits	1
Any other valid point (will attract 1 Marks)	1
Maximum marks	**4**

c) Considering the current position of MCL, critically recommend the most appropriate segmentation strategy to deploy

Differentiated market:	1
Concentrated market	1
Undifferentiated Market	1
MCL segmentation strategy	2
Maximum marks	**5**

d) As per the Marketing Director's proposal, what changes can be made on the current MCL's product mix.

New product	1
Extension	1
Differentiation	1
Modification	1
Perception	1
Any other valid point (will attract 1 Mark)	1
Maximum marks	**5**

e) **As per the Marketing Director's recommendations, discuss the benefits that MCL would enjoy by changing its prices**

Profitability	1
Risk minimisation	1
Control	1
Counter strategy	1
Leading brand	1
Any other valid point (will attract 1 Mark)	1
Maximum marks	**5**

f) Referring to the CEO's request to the Marketing Director, what are some of the steps that would be taken to develop and introduce mixed juices to the Rwandan market

Ideas generation	1
Screening	1
Business analysis	1
Mixed juice development	1
Testing in the market	1
Commercialisation stage	2
Maximum marks	**7**

g) Critically assess the leadership style of MCL's CEO

Visionary	1
Managerial	1
Details of strategies and tactics	1
MCL CEO's leadership style	2
Maximum marks	**5**

h) Key strategic leadership actions which MCL would undertake to facilitate the required change

Determine MCL's purpose or vision	2
Exploit or maintain core competencies	2
Developing Human Capital and Social Capital	2
Sustain an effective organizational culture	2
Emphasize ethical practices	2
Any other valid point (will attract 2 Marks)	2
Maximum marks	**10**

i) Evaluate a balanced organisational control mechanism that MCL would effectively deploy in order to inspire an appropriate action.

Build credibility	1
Demonstrate value	1
Promote change	1
MCL organisational control mechanism	2
Any other valid point (will attract 1 Mark)	1
Maximum marks	**5**

(Total: 50 Marks)

Model answers

a) Discuss methods of market segmentation that MCL should consider.

There are four methods of market segmentation that MCL should consider and these are:

Demographic segmentation – MCL should be looking and analysing customer characteristics such as the age, sex, occupation, income etc. given that currently its customers are students and individuals from upcountry.

Geographic Segmentation – since MCL supplies its juice countrywide, dividing the market into regions and districts would be paramount.

Buyer behaviour – MCL would need to understand how its customers behave after purchasing the juice and therefore segment the market accordingly.

Psychographic or personality segmentation - Considering that some customers are claiming about environmental attributes and recycling of its packaging material, segmenting by psychographic would be another method.

b) Discuss some of the benefits that MCL would enjoy after segmenting its market.

After market segmentation MCL would be able to enjoy several and these are:

New product opportunities – It is after MCL segments its market, that it would realise that a certain group of customers need mixed juice, for example.

Market control – market segmentation would facilitate MCL to take control of the market and devise strategies on how to deal with the European juices.

Identification of customer needs – Having segmented the market, MCL would be able to identify some specific customer needs which would help the company to produce a more accurate marketing budget.

Improved profits – By segmenting the market, strategies can be developed to concentrate on only profitable markets thereby increasing sales and profits.

c) Considering the current position of MCL, critically recommend the most appropriate segmentation strategy to deploy.

Market segmentation represents a commitment to a particular market and involves a selection of the following options:

Differentiated market: A company may voluntarily or be forced to operate across all segments, they may do this by packaging the products to suit different segments e.g., Bralirwa

Concentrated market: A company may decide to concentrate its resources and activities in a specific market segment.

Undifferentiated Market: This involves the introduction of products or services to reach a large number of consumers in most segments. It can be costly as the operation will be geared towards total market coverage.

Since MCL does not have enough cash flow, operating across all the market segments may appear difficult and yet deploying undifferentiated market is equally costly. A concentrated market appears to be the most appropriate segmentation strategy at MCL.

d) As per the Marketing Director's proposal, what changes can be made on the current MCL's product mix.

The current MCL's product mix may consider the following changes:

New product – MCL may consider introducing a new product that is completely unrelated to the juices its producing, though this is quite unlikely given the current cash flow situation.

Extension – MCL may extend its product line by for example introducing mixed juices onto the market.

Differentiation – MCL may carry out some additions towards the current juices either in form of packaging or the taste of juices to enhance customers' appeal in another segment.

Modification – MCL may consider modifying the current juices in form of reduced prices or improved quality.

Perception – MCL may plan some changes according to the perception or attitude of the customers.

e) As per the Marketing Director's recommendations, discuss the benefits that MCL would enjoy by changing its prices.

Prices may be changed several times by an organisation over time across a whole range of products.

The benefits that may accrue to MCL by changing its prices are as follows:

Profitability – Since MCL juices are perceived to be expensive when compared to those imported from Europe, putting them at the same price or lower, would increase sales and thereafter profitability, assuming that costs would be effectively managed.

Risk minimisation – through the process of price changing, either upwards or downwards depending on the prevailing circumstances, MCL would be able to minimise risks that would otherwise have led it to incur losses.

Control – changing of prices would facilitate MCL to either enter or control some market segments.

Counter strategy – changing prices would be a counter strategy against the pricing or promotional actions of MCL's competitors mainly those that import European juices.

Leading brand – In the long run, the changing of prices may facilitate MCL to become a leading brand like its vision dictates.

f) Referring to the CEO's request to the Marketing Director, what are some of the steps that would be taken to develop and introduce mixed juices to the Rwandan market.

The mixed juices development process will take the following stages:

Ideas generation

This is the beginning of the process where MCL through the Marketing Director will collect information and ideas to develop mixed juices.

Screening

Ideas generated will be evaluated with regard to their marketability, the MCL's future objectives and resources.

Business analysis

At this stage more detailed and specific consideration will be given to costs, potential future sales and profitability.

Mixed juice development

If there is no Research and Development department within MCL, mixed juices marketable propositions shall become the responsibility of the marketing department.

Testing in the market
At this stage the mixed juices shall be tested in the market to determine acceptability by the market before the final launch, ideally a mini launch would be a more acceptable way of testing the market.

Commercialisation stage
At this stage it will be necessary to consider all aspects of the introduction of the mixed juices product to the intended market. The marketing mix would be considered in light of the following:
What form will the final promotion take?
What is the role of the sales personnel?
What is the price of the product?
What means of distribution will MCL use?

g) Discuss leadership styles and critically assess the leadership style of MCL's CEO.

Leadership is a set of behaviour that enforces people to formulate the organizational goals and then motivate them to jointly contribute in order to achieve organization's goals.
The three leadership styles under consideration are:

The Visionary Leader is a dreamer. They are able to connect with people in an intuitive and empathic way, and can change how people think about what is possible by creating excitement within MCL, for example.

The Managerial Leader
The Managerial Leader does not have time to dream. The Managerial Leader focuses more on the day-to-day and operational side of the business, and overtime they build an in-depth understanding of their part of the business. They tend to see themselves as implementers of procedures, policies and budgets, rather than providing creative energy or vision.

The Strategic Leader
A Strategic Leader possesses a synergistic combination of what is best about both the Visionary Leader and the Managerial Leader. They can balance the shorter term financial and operational needs of the organisation with the longer-term strategic opportunities that may become available. They integrate the vision, creativity and innovation necessary for long term success with the operational focus and understanding that maintains organisational stability.

The leadership style of MCL's CEO is therefore, of a strategic leader as mentioned in the scenario that he is very enthusiastic about MCL, considers the long-term success by integrating the vision, creativity and the necessary innovations to sustain and maintain MCL's stability.

h) Considering the current state of MCL, several initiatives will have to be developed for it to improve its performance and turn to profitability, including leadership. With vivid examples, describe the key strategic leadership actions which MCL would undertake to facilitate the required change.

Strategic leadership demands the capability to incorporate and include both of the business environment of the organizations, which are internal and external. It is also responsible for managing and encompassing critical information processes.

The key strategic leadership actions which MCL would undertake to facilitate the required change are:

Determine MCL's purpose or vision

MCL would need to develop its long-term vision. Now that it already has it which is "being the market leader in the agro-processing industry within the region" would therefore require that all staff understand it with critical tasks allocated to each of the staff to enhance buy in. MCL may achieve this by either displaying its vision at a place accessible by all staff or sharing it via other methods such as emails.

Exploit or maintain core competencies

Resources and capabilities of a firm serve as a source of competitive advantage over its rivals. MCL would therefore need to verity its competencies as it moves towards implementing its strategy. If MCL realises that its current competencies are not up to the required level, it would therefore be required to either develop or change them in order to remain competitive.

Developing Human Capital and Social Capital

The knowledge and skills of the firm's entire workforce are a capital resource that requires investment in training and development. MCL would be required to continuously reskill and upskill its staff if it wants to compete with the best.

Sustain an effective organizational culture

Changing a firm's organizational culture is more difficult than maintaining it. Effective strategic leaders recognize when change in culture is needed. Shaping and reinforcing culture is paramount. MCL would need to reinforce a culture of team and creativity.

Emphasize ethical practices

Effectiveness of processes used to implement the firm's strategies increases when based on ethical practices. Ethical practices create social capital and goodwill for the firm through communication and dissemination of the company's code of conduct to all staff and other stakeholders. Since MCL's strategic leadership actions entail ethical behaviour, this will have to be maintained and reinforced.

i) Evaluate a balanced organisational control mechanism that MCL would effectively deploy in order to inspire an appropriate action.

Organisational controls are formal, information-based procedures used by managers to maintain or alter patterns in organizational activities.

Controls help strategic leaders to:

(i) Build credibility within the organisation such that all staff can be seen as reliable and sincere
(ii) Demonstrate the value of strategies to the organisation's stakeholders
(iii) Promote and support strategic change

In order to inspire an appropriate action, MCL would therefore need to promote and support strategic change given the situation that it is currently in. MCL would also be required to involve everyone within the company, to ensure that all staff understand the required change and effectively contribute towards the realisation of MCL strategy and its vision.

SECTION B

QUESTION TWO

Marking Guide

Qn	Description	Marks	Total Marks
a (i)	The stakeholder mapping for REC's stakeholders:		
	A short and correct introduction/description of stakeholder mapping	1	
	A valid diagram/illustration of the stakeholder mapping model. If the diagram has no REC's data, award 0.5 marks only	1	
	Customers correctly plotted under High Attention, High Power on the stakeholder mapping diagram	1	
	Shareholders correctly plotted under High Attention, High Power on the stakeholder mapping diagram	1	
	Employees correctly plotted under High Attention, Low Power on the stakeholder mapping diagram	1	
	Suppliers correctly plotted under Low Attention, High Power on the stakeholder mapping diagram	1	
	Competitors correctly plotted under High Attention, High Power on the stakeholder mapping diagram	1	
	Environmental NGOs correctly plotted under Low Attention, Low Power on the stakeholder mapping diagram	1	
	Local Communities correctly plotted under Low Attention, Low Power on the stakeholder mapping diagram	1	9
a (ii)	"High Attention, High Power" quadrant strategies: Consider other valid/correct strategies not included in the model answer		
	Customers (Award 1 mark for any 1 correct strategy)	1	
	Shareholders (Award 1 mark for any 1 correct strategy)	1	
	Competitors (Award 1 mark for any 1 correct strategy)	1	3
b	REC's stages of team development:		
	A short and correct introduction/description of what the Tuckman's stages of team development is.	2	
	A valid diagram/illustration of the Tuckman's stages of team development model. No additional marks for a diagram with REC's data inside the diagram but no penalty as well.	1	
	Forming (1 mark for a short description and 1 mark for a correct strategy to be applied by Mr Claude Kamana)	2	
	Storming (1 mark for a short description and 1 mark for a correct strategy to be applied by Mr Claude Kamana)	2	
	Norming (1 mark for a short description and 1 mark for a correct strategy to be applied by Mr Claude Kamana)	2	
	Performing (1 mark for a short description and 1 mark for a correct strategy to be applied by Mr Claude Kamana)	2	
	Adjourning (1 mark for a short description and 1 mark for a correct strategy to be applied by Mr Claude Kamana)	2	13
	Total Marks		**25**

Model Answer

Rugando Electronics Corporation (REC):

a) Using the stakeholder mapping model, answer the following questions:

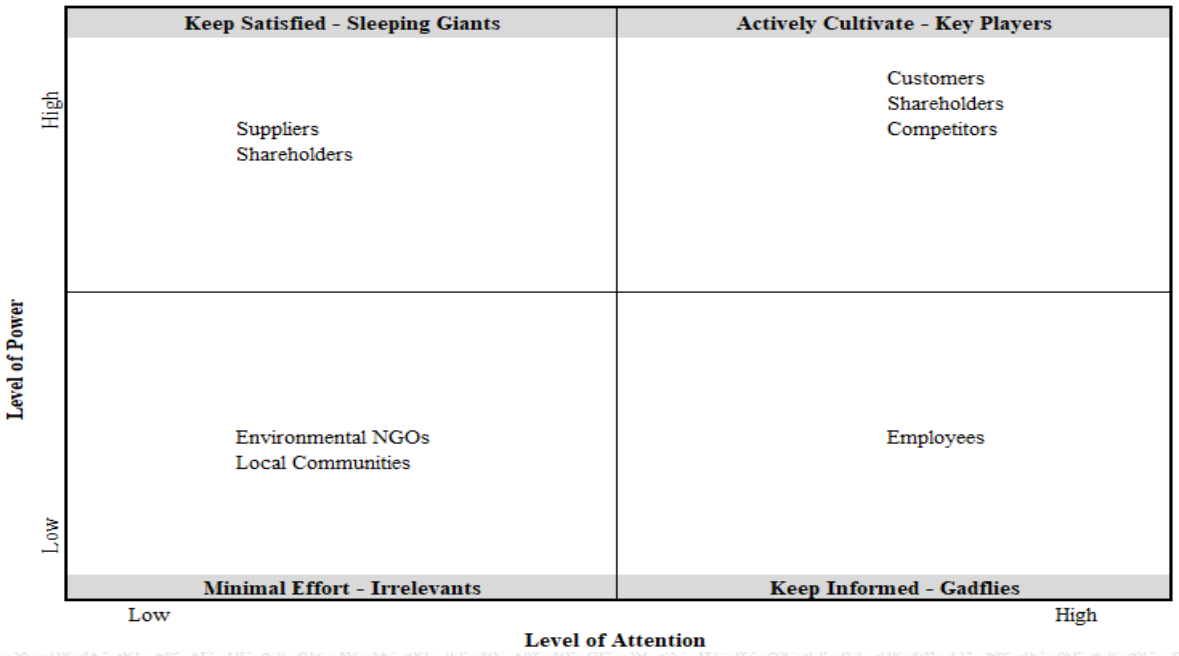
i. **Conduct a stakeholder mapping for REC's stakeholders.** *Note: Plot each stakeholder on the stakeholder map.*

Given that there are often so many stakeholders, it is useful to categorise them according to their likely influence on strategic decisions. Stakeholder mapping identifies stakeholder power and attention to understand strategic priorities. The underlying view is that organisations involve political coalitions of stakeholders, each of which has different kinds of power and each of which pays different amounts of attention to strategic issues. Building coalitions of supportive stakeholders is therefore crucial to strategy.

It is therefore important to understand the power different stakeholders have and their likely attention to issues. These two dimensions form the basis of the power/attention matrix. The matrix classifies stakeholders in relation to the power they hold and the extent to which they are likely to attend actively to a particular strategic issue. The matrix allows different stakeholders to be plotted either according to the simple dichotomy of low or high, or more subtly according to their relative positions along continuous axes from low to high.

REC's stakeholders can be classified on the stakeholder mapping as demonstrated in Figure 2.1 below:

Figure 2.1: REC's Stakeholder mapping



The classification is based on the following explanation:

- **Customers:** High Attention, High Power - Customers' opinions significantly impact sales and reputation through product reviews and feedback.
- **Shareholders:** High Attention, High Power - Shareholders have a vested attention in the company's financial performance and can exert power through voting rights and investment decisions.
- **Employees:** High Attention, Low Power - While employees are highly interested in job security and career development, their direct power on company decisions is relatively limited.
- **Suppliers:** Low Attention, High Power - Suppliers are essential to the company's supply chain, but they may have low attention in the company's overall performance unless it directly affects their contracts.
- **Competitors:** High Attention, High Power - Competitors' actions directly affect market dynamics and competitive positioning, making them high-attention stakeholders with significant power.
- **Environmental NGOs:** Low Attention, Low Power - These organizations closely monitor environmental practices, but their direct power on the company's operations is relatively limited.
- **Local Communities:** Low Attention, Low Power - Local communities are less interested in the company's impact on the local economy and environment, and their power is typically indirect through public perception.

ii. **What engagement strategies would you recommend for stakeholders in the "High Attention, High Power" quadrant, and why?**

For stakeholders in the "High Attention, High Power" quadrant, such as customers, shareholders, and competitors, the following engagement strategies are recommended:

Customers:
Regularly seek feedback, conduct surveys, and actively respond to customer concerns and suggestions. Engage in transparent communication about product developments and improvements to enhance customer satisfaction and loyalty.

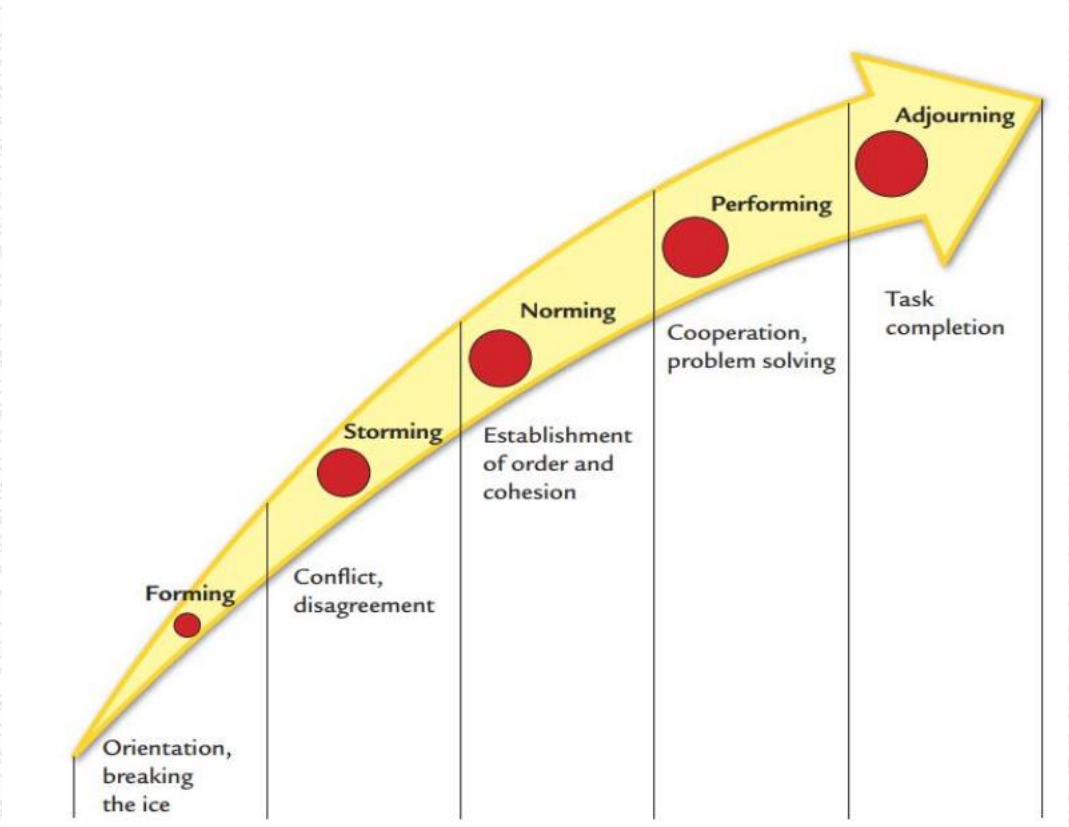
Shareholders: Maintain open channels of communication through annual meetings, reports, and investor relations. Provide comprehensive financial updates and strategic plans to address their interests and concerns.

Competitors: Monitor competitors' actions and market trends closely. Engage in ethical competition and consider strategic partnerships or alliances when mutually beneficial.

b) Using - Tuckman's stages of team development, **discuss the different stages REC's recently formed team is likely to pass through and the strategies that must be applied by Mr Claude Kamana to ensure the team's success.**

Tuckman's stages of team development, also known as the Tuckman model or Tuckman's group development stages, is a widely recognized framework for understanding how teams evolve and develop over time. Developed by psychologist Bruce Tuckman in 1965, this model consists of four main stages: forming, storming, norming, performing, and adjourning. Figure 2.3 below demonstrates these five stages:

Figure 2.3: Tuckman's stages of team development



Forming:

The forming stage of development is a period of orientation and getting acquainted. Members break the ice and test one another for friendship possibilities and task orientation. Uncertainty is high during this stage, and members usually accept whatever power or authority is offered by either formal or informal leaders. During this initial stage, members are concerned about things such as "What is expected of me?" "What behaviour is acceptable?" and "Will I fit in?"

During the forming stage, Mr. Claude Kamana should provide time for members to get acquainted with one another and encourage them to engage in informal social discussions.

Storming:

During the storming stage, individual personalities emerge. People become more assertive in clarifying their roles and what is expected of them. This stage is marked by conflict and disagreement. People may disagree over their perceptions of the team's goals or how to achieve them. Members may jockey for position, and coalitions or subgroups based on common interests may form. Unless teams can successfully move beyond this stage, they may get bogged down and never achieve high performance.

During the storming stage, Mr Claude Kamana should encourage participation by each team member. Members should propose ideas, disagree with one another, and work through the uncertainties and conflicting perceptions about team tasks and goals. The expression of emotions, even negative ones, helps to build camaraderie and a shared understanding of goals and tasks.

Norming:

During the norming stage, the conflict is resolved, and team harmony and unity emerge. Consensus develops on who has the power, who the leaders are, and what the various members' roles are. Members come to accept and understand one another. Differences are resolved, and members develop a sense of team cohesion.

During the norming stage, Mr Claude Kamana should emphasize unity within the team and help to clarify team norms and values.

Performing:

During the performing stage, the major emphasis is on problem solving and accomplishing the assigned task. Members are committed to the team's mission. They are coordinated with one another and handle disagreements in a mature way. They confront and resolve problems in the interest of task accomplishment. They interact frequently and direct their discussions and influence toward achieving team goals.

During this stage, Mr Claude Kamana should concentrate on managing high task performance. Both socioemotional and task specialist roles contribute to the team's functioning.

Adjourning:

The adjourning stage occurs in committees and teams that have a limited task to perform and are disbanded afterward. During this stage, the emphasis is on wrapping up and gearing down. Task performance is no longer a top priority. Members may feel heightened emotionality, strong cohesiveness, and depression or regret over the team's disbanding.

At this point, Mr Claude Kamana may wish to signify the team's disbanding with a ritual or ceremony, perhaps giving out plaques and awards to members to signify closure and completeness.

QUESTION THREE

Marking Guide

Qn	Description	Marks	Total Marks
a	Evaluation of KPC's BCG Matrix: A good answer should have a short introduction of the BCG Matrix followed by an appropriate discussion of each category of business units and strategies. Alternative correct strategies provided by candidates not in the model answer should be considered.		
	A short introduction/description of what the BCG Matrix is and its aim/purpose	1	
	Star (Award 1 mark for a correct identification of the business unit - Product X or Blockbuster Drug - and 1 mark for a correct justification, 1 mark for any one correctly recommended strategy)	3	
	Cash cow (Award 1 mark for a correct identification of the business unit - Product Y or Stable Medication - and 1 mark for a correct justification, 1 mark for any one correctly recommended strategy)	3	
	Question Mark/Problem Child (Award 1 mark for a correct identification of the business unit - Product Z or Experimental Drug - and 1 mark for a correct justification, 1 mark for any one correctly recommended strategy)	3	
	Dog (Award 1 mark for a correct identification of the business unit - Product W or Mature Medication - and 1 mark for a correct justification, 1 mark for any one correctly recommended strategy)	3	
	A valid diagram/illustration of the BCG Matrix. No additional marks for a diagram with RPC's data inside the diagram but no penalty as well. Alternative valid diagrams are acceptable.	1	14
b (i)	KPC's Leadership Grid: A good answer should first introduce the Leadership Grid followed by the application of the model to the case		
	A short introduction/description of the Leadership Grid	1	
	A correct identification of the style used by management i.e Team Management	2	
	A correct description of the Team Management leadership style (high concern for people and production)	1	
	A valid description of this leadership style will help KPC address the challenges it faces effectively and achieve success	1	
	A valid diagram/illustration of the Leadership Grid. Consider alternative valid diagram.	1	6
b (ii)	Key characteristics and behaviours associated with the leadership style in (i) above:		

Qn	Description	Marks	Total Marks
	Award 1 mark for each correctly stated point with a maximum of 5 points = 5 maximum marks. If the point is simply listed with no short description, award 0.5 marks. Alternative correct points provided by candidates not in the model answer should be considered.	5	
	Total Marks		**25**

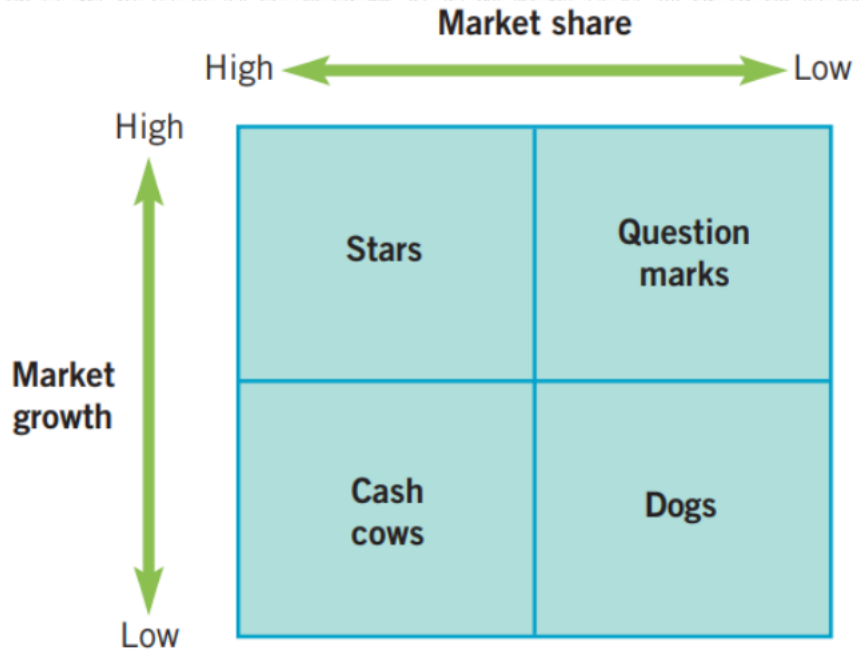
Model Answer

Kagitumba Pharmaceutical Company (KPC):

a) Using the BCG Matrix, **evaluate each product's classification and provide strategic advice for KPC for each product category, including resource allocation and growth strategies.**

The Boston Consulting Group's (BCG's) growth/share matrix is among the best-known corporate portfolio management approaches. In the BCG approach, each of the firm's strategic business units (SBUs) is plotted on a two-dimensional grid in which the axes are relative market share and industry growth rate. The grid is broken into four quadrants. The BCG matrix uses market share and market growth criteria for determining the attractiveness and balance of a business portfolio. High market share and high growth are, of course, attractive. However, the BCG matrix also warns that high growth demands heavy investment, for instance to expand capacity or develop brands. There needs to be a balance within the portfolio, so that there are some low-growth businesses that are making sufficient surplus to fund the investment needs of higher-growth businesses. Figure 3.1 demonstrates the BCG matrix.

Figure 3.1: The growth share (or BCG) matrix



Product X (Blockbuster Drug - Star):

Product X is currently in the star category, characterized by rapid sales growth and strong market demand. This product is a significant revenue driver for KPC. To maintain and capitalize on its star status, the company should consider the following strategies:

- **Invest for Growth:** Allocate resources to further enhance product development, clinical trials, and marketing efforts to sustain its growth trajectory.
- **Expand Market Share:** Explore new markets or patient populations where the drug can be applied and work on increasing its market share.
- **Product Line Extensions:** Consider developing related products or combinations to maximize the drug's potential.

Product Y (Stable Medication - Cash Cow):

Product Y is a cash cow, representing a stable source of income with moderate competition. To continue benefiting from this cash cow product, KPC can consider these strategies:

- **Maintain and Optimize:** Keep the product in the market, optimizing manufacturing and distribution processes to reduce costs.
- **Market Defense:** Monitor competitive threats and defend market share by consistently delivering quality and value.
- **Diversification:** Explore opportunities to expand the product's application or enter related markets where it can leverage its strengths.

Product Z (Experimental Drug - Question Mark/Problem Child):

Product Z is in the question mark category, signifying high growth potential but uncertainty. KPC should carefully assess its potential and invest judiciously to maximize its chances of becoming a star. Strategies include:

- **Invest Cautiously:** Continue research and development efforts but closely monitor progress and outcomes.
- **Market Research:** Conduct thorough market research to identify potential demand and target patient populations.
- **Adapt and Pivot:** Be prepared to pivot or make adjustments based on trial results and market feedback.

Product W (Mature Medication - Dog):

Product W has reached maturity and is now in the dog category, with declining sales and increasing competition. KPC should consider strategies to manage this product:

- **Harvest or Divest:** Evaluate the financial viability of the product. If it still generates some revenue, consider reducing marketing and manufacturing costs. If it's no longer profitable, consider phasing it out.
- **Focus on Core:** Redirect resources to products with higher growth potential, such as Product X or promising candidates in the pipeline.

- **Portfolio Optimization:** Continuously assess the portfolio to identify other potential dog products that may need similar consideration.

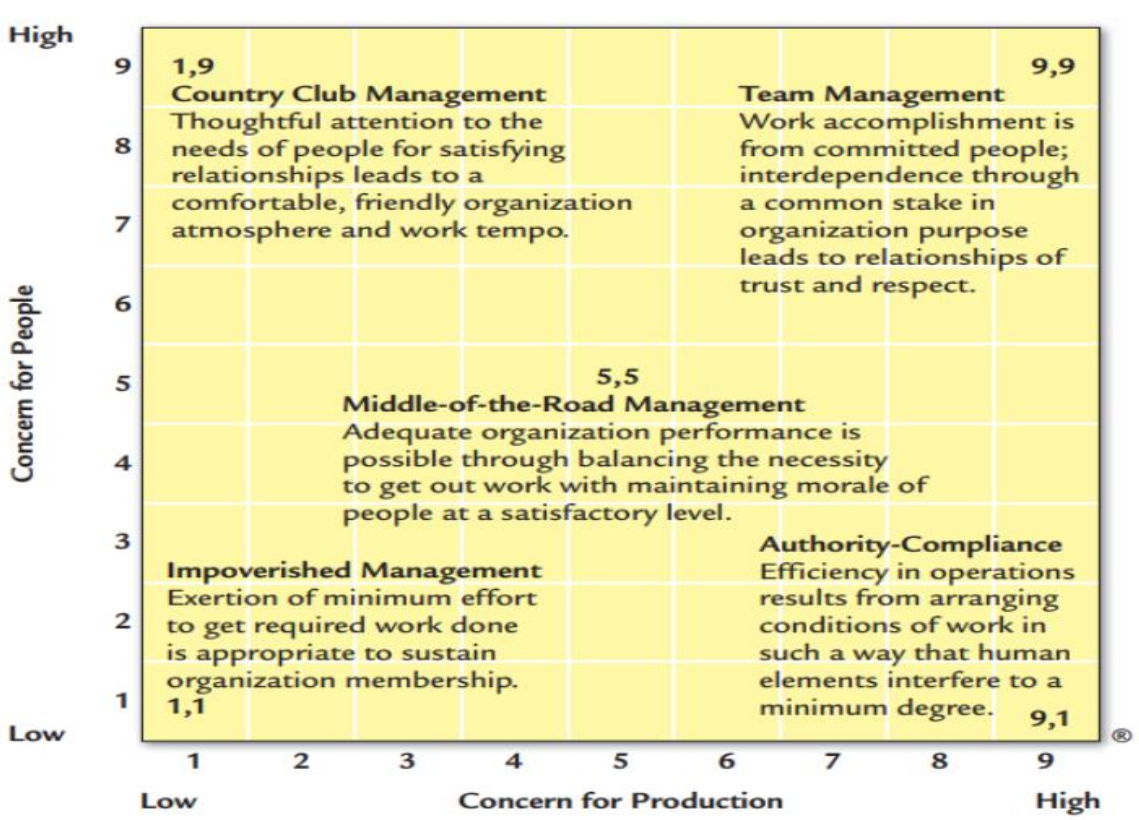
In conclusion, KPC should apply a tailored approach to its product portfolio based on their positions in the BCG matrix. This strategy will help the company allocate resources effectively, maximize growth opportunities, and manage products at different stages of their life cycles for long-term success in the pharmaceutical industry.

b) With reference to KPC's recent changes leadership team and by applying the Leadership Grid model by Robert R. Blake and Anne Adams McCanse:

i. **Identify and describe the leadership style that the company should aim for to successfully address the challenges it faces and ensure long term success.**

Building on the work of the Ohio State and Michigan studies, Robert R. Blake and Jane S. Mouton of the University of Texas proposed a two-dimensional theory called the Managerial Grid®, which was later restated by Robert R. Blake and Anne Adams McCanse as the Leadership Grid®. The model and five of its major management styles are depicted in Figure 3.2. Each axis on the grid is a nine-point scale, with 1 meaning low concern and 9 meaning high concern.

Figure 3.2: The Leadership Grid



KPC is facing a dynamic and challenging environment in the pharmaceutical industry. To effectively address these challenges and ensure the company's long-term success, it's essential to adopt a leadership style that balances concern for people and concern for production, as outlined in the Leadership Grid model by Robert R. Blake and Anne Adams McCanse.

To navigate the pharmaceutical industry's complexities, KPC should aim for a leadership style known as "Team Management."

In the Team Management, work accomplishment is from committed people; interdependence through a common stake in organization purpose leads to relationships of trust and respect.

Team Management Leadership Style:

- **High Concern for People:** Leaders who emphasize teamwork, collaboration, and employee development.
- **High Concern for Production:** Leaders who are focused on achieving high-quality results and meeting performance goals.

The "Team Management" leadership style is particularly suitable for KPC because it acknowledges the importance of both people and production. In the pharmaceutical sector, success depends on a highly skilled and motivated workforce that can innovate and produce high-quality products while adhering to strict regulatory requirements. Team Management fosters a culture of collaboration and continuous improvement, enabling the company to address industry challenges effectively.

By adopting the Team Management leadership style, KPC can position itself for sustained growth, innovation, and success in a competitive and rapidly evolving pharmaceutical landscape. This style aligns with the company's values, regulatory obligations, and the need to empower its employees to thrive in a challenging environment.

ii. **State the key characteristics and behaviours associated with the leadership style in (i) above.**

Team Management leadership is associated with the following key characteristics and behaviours:

Collaboration: Encourage cross-functional collaboration and teamwork within the organization. Foster an environment where employees feel valued, supported, and engaged in decision-making processes.

Communication: Promote open and transparent communication channels, ensuring that employees have access to relevant information and can provide feedback.

Employee Development: Invest in training and development programs to enhance employees' skills and capabilities. Recognize and reward achievements to motivate and retain talent.

Quality Focus: Prioritize the development of high-quality pharmaceutical products, adhering to strict regulatory standards. Emphasize research and development to drive innovation.

Adaptability: Be flexible and adaptable in responding to industry changes, regulatory shifts, and emerging market trends.

Ethical Practices: Maintain the highest ethical standards in all business operations, especially in a heavily regulated industry like pharmaceuticals.

QUESTION FOUR

Marking Guide

Qn	Description	Marks	Total Marks
a (i)	The strategy development approach applied by the management team: A good answer should identify the method (emergent) and then explain/describe the method A correct identification of the strategy development approach applied by the management team i.e emergent strategy development approach	2	
	A description or explanation of the emergent strategy development approach	2	
	A valid diagram of the logical incrementalism, political processes, or organisational structure and systems elements of the model	1	5
a (ii)	Advantages and challenges of the emergent strategy development approach for KMC: A good answer should discuss points in the context of KMC or mining sector. Award 2 marks (1 mark for a correct point and 1 mark for its explanation). Maximum of 3 advantages and 3 challenges = 12 maximum marks If a candidate's points are not appropriately explained or not linked to the mining sector/KMC, award 1 mark per point Award 2 marks for each correctly explained advantage with a maximum of 3 points = 6 maximum marks. If the point is simply listed with no explanation, award 1 mark. Alternative correct points provided by candidates not in the model answer should be considered. Award 2 marks for each correctly explained challenge with a maximum of 3 points = 6 maximum marks. If the point is simply listed with no explanation, award 1 mark. Alternative correct points provided by candidates not in the model answer should be considered.	6 6	12
b	Factors that may affect the company's operational costs:		

Qn	Description	Marks	Total Marks
	Award 2 marks (1 mark for a correct point and 1 mark for its explanation) for each correctly explained factor with a maximum of 4 points = 8 maximum marks. If the point is simply listed with no explanation, award 1 mark. Alternative correct points provided by candidates not in the model answer should be considered.	8	
	Total Marks		**25**

Model Answer

Kangondo Mining Corporation (KMC):

a) Given the scenario at KMC and the key features of the strategy development approach described:

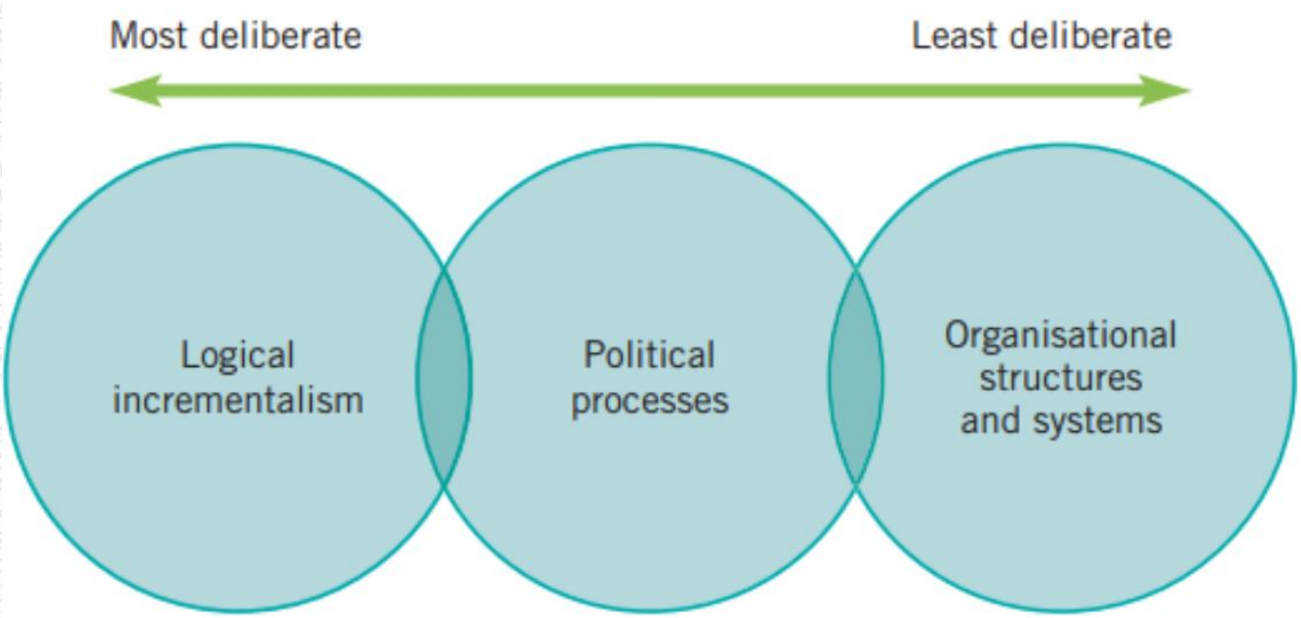
i. **Identify and describe the strategy development approach applied by the management team.**

Kangondo Mining Corporation (KMC) has adopted an **emergent strategy development approach**, characterized by flexibility, adaptability, and a commitment to innovation. This dynamic approach aligns with the unique challenges and opportunities presented by the mining industry.

Henry Minzberg suggests that good ideas never come from the boardroom, that in fact the excellent companies allow strategy to emerge from its employees. A suggestion box is an example of this at a basic level. The problem with this strategy is how to manage the process so the good ideas emerge.

Although strategy development is often described as though it is the deliberate intention of top management, an alternative explanation is that of **emergent strategy**: that strategies emerge on the basis of a series of decisions, which forms a pattern that becomes clear over time. This explains an organisation's strategy, not as a 'grand plan', but as a developing 'pattern in a stream of decisions' where top managers draw together emerging themes of strategy from various decisions and directions, rather than formulating it directly from the top. The pattern that emerges may then subsequently be more formally described, for example in annual reports and strategic plans, and be seen as the deliberate strategy of the organisation. It will not, however, have been the plan that developed the strategy; it will be the emerging strategy that informed the plan. Emergent strategy may, then, be seen as a basis for learning what works in search for a viable pattern or consistent strategy. There are different views of emergent strategy which are: logical incrementalism, strategy as the outcome of political processes and, as the outcome of organisational structure and systems. All three emphasise that strategy development is not necessarily the province of top management alone but may be more devolved within organisations. Figure 4.1 shows how the different views can be thought of in terms of a continuum according to how deliberately managed the processes are.

Figure 4.1: A continuum of emergent strategy development processes



ii. **Discuss the advantages and challenges associated with choosing the strategy development approach in (i) above in the context of KMC.**

Advantages of the Emergent Strategy Development Approach:

Flexibility: In the mining industry, market conditions can change rapidly due to fluctuations in commodity prices, regulatory changes, and shifts in global demand. KMC's flexibility allows it to adjust its strategy promptly in response to these changes. For example, when mineral prices surged unexpectedly, the company could swiftly allocate resources to maximize production and profitability.

Adaptability: Mining operations often encounter unforeseen challenges such as geological complexities or environmental considerations. KMC's commitment to adaptability enables it to overcome these obstacles effectively. By revising mining methods or implementing advanced technologies, the company can optimize its operations and minimize disruptions.

Innovation: Innovation is critical in mining to improve safety, environmental sustainability, and operational efficiency. KMC's focus on innovation has led to the development of safer extraction methods, eco-friendly mining practices, and the integration of automation and Artificial Intelligence (AI) technologies. These innovations enhance the company's competitiveness and reduce its environmental impact.

Challenges of the Emergent Strategy Development Approach:

Risk Management: While flexibility is an advantage, it can also introduce risk. Frequent strategy adjustments may lead to uncertainty among employees and stakeholders. The company must effectively manage and communicate these changes to maintain trust and cohesion within the organization.

Resource Allocation: Rapid adjustments to the strategy can create challenges in resource allocation. KMC must ensure that resources are allocated efficiently to support emerging opportunities without neglecting ongoing operations.

Competitive Pressures: The mining industry is highly competitive, and emergent strategies may not always provide a sustainable competitive advantage. The company must continuously monitor competitors' actions and respond strategically to maintain its position in the market.

In conclusion, KMC's adoption of an emergent strategy development approach allows it to thrive in the dynamic and competitive mining industry. While this approach offers numerous advantages, such as flexibility, adaptability, and innovation, it also presents challenges related to risk management, resource allocation, and competitive pressures. By effectively balancing these factors, KMC can continue to excel in its strategic endeavours and contribute to the industry's growth and sustainability.

b) Considering KMC’s new proposed facility in Musanze district, **explain factors that may affect the company’s operational costs.**

Establishing a new facility in Musanze district for Kangondo Mining Corporation can be influenced by various factors that may affect operational costs. Below is an explanation of how each of the mentioned factors can influence costs:

Proximity to Raw Materials - Lower Costs: Being close to raw material sources, such as mineral deposits, reduces transportation expenses and potentially lowers the cost of acquiring and processing the materials. It also reduces the risk of supply chain disruptions.

Proximity to Markets - Lower Distribution Costs: If the new facility is close to target markets or customers, it can reduce transportation costs, delivery times, and associated expenses. This proximity can also enable quicker responses to market demands.

Government Incentives - Cost Reduction: Government incentives, such as tax breaks, subsidies, or grants, can significantly reduce the initial investment and operational costs for Kangondo Mining Corporation. These incentives may encourage the company to establish the facility in Musanze.

Cost of Land - Land Expense: The cost of land in Musanze district can significantly impact the project's budget. Higher land costs can increase the overall investment required for the facility. Lower land costs can lead to cost savings.

Availability of Labor - Labor Costs: The availability of skilled and unskilled labour in Musanze can influence labour costs. A location with a skilled workforce may result in higher labour costs but increased productivity. Availability of local talent can reduce recruitment and training expenses.

Availability of Power - Energy Costs: Reliable access to affordable power is critical for mining operations. High energy costs or frequent power outages can increase operational costs. Conversely, access to affordable and stable power can lead to cost savings.

Transport and Security - Transportation Costs: Transportation infrastructure and security in the area can affect transportation costs and logistics efficiency. Good transportation links and security can reduce transportation expenses and ensure the safety of personnel and goods.

Waste Disposal - Environmental Compliance Costs: The cost of waste disposal and compliance with environmental regulations can impact operational costs. Effective waste management practices can minimize environmental liabilities and potential fines.

Kangondo Mining Corporation should conduct a comprehensive cost-benefit analysis considering these factors to determine the optimal location for the new facility in Musanze district. Balancing these factors can help the company make an informed decision that minimizes operational costs and maximizes efficiency in its mining operations.

END OF MARKING GUIDE AND MODEL ANSWERS