



CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATION
A1.1: STRATEGY AND LEADERSHIP
DATE: MONDAY 27, NOVEMBER 2023

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

Momento Company Ltd (MCL)

Introduction

Momento Company Ltd (MCL) is a wholly owned Agro-processing business that was established in 2020 with its head office located in the City of Kigali. Its main objective is to process and package various types of juices mainly orange, apple, and pineapple juices within Kigali and countrywide. MCL's vision is to be a market leader in the Agro-processing industry within the region and its mission is to provide high quality juices at reasonable prices to all customer segments.

MCL Operations

MCL is one of the main Agro-processing companies in Rwanda with 10 retail outlets that are spread across the country. Agro-processing in Rwanda is a flourishing sector that contributes up to a third of Rwanda's gross domestic product (GDP). This sector is a major source of employment and income, thus providing access to food and other necessities to many Rwandans. The success of the sector is mainly attributed to the government's regulatory reforms, market linkages, tax incentives, among others. In 2021, MCL made an after-tax profit of FRW 150,000,000. MCL employs close to 600 staff in different departments. Raw materials that are used to process the juices are supplied by small holder farmers mainly from Musanze district, in the northern province of Rwanda. MCL has established a good relationship with these suppliers through provision of inputs and equipment to facilitate them grow high quality fruits, a move that has enhanced the level of loyalty with their suppliers. Last year, the company supported over 100 small scale fruit growers through technical assistance on the modern agricultural methods including provision of pre-financing to facilitate some of their production activities.

MCL has a truck that picks the produce from farmers and once they arrive at the factory, which is in Kigali, they go through a significant amount of value addition before the juices are produced and packaged for sale. Ready juices are delivered to wholesale customers both in Kigali, mainly in supermarkets, and to upcountry whole sellers.

Recent trends

At the end of 2022, MCL's success started declining where a loss of FRW 15,000,000 was incurred from a profit of FRW 150M the previous year, and neither the bank balance looked good. The Chief Executive Officer (CEO), Mr James Nsekanabo was very concerned and he could not believe how a company that has made that much profit would incur a loss within just a small period of time. A management meeting was called for, with all senior managers including the Chief Finance Officer (CFO), Marketing Director (MD), Operations Manager (OM), among other senior staff to explain the ordeal that had befallen onto the company. The Marketing Director, expressed his concerns that caused the problem in the market.

He stressed that most of the supermarkets they were selling to, were found to have stocked large inventories of juices from Europe, of mainly orange and apple type.

In fact, those same juices are perceived to be high quality and are being sold cheaply compared to MCL's. Recent research showed that MCL juices are currently bought by students as the working-class people prefer that brand from Europe. "It would be important for us to segment this market with an appropriate segmentation strategy, as we appear to have some environmentally sensitive customers who claimed that our packages are not environmentally friendly, neither are they recyclable" The Marketing Director asserted.

The CEO reacted to the Marketing Director's comments and he confirmed that if MCL segments its market, there would be a chance to identify MCL's new product opportunities since there is a particular market segment that still buys from them. Besides Europe juices are only sold in the city, yet the countryside possesses more than 50% of MCL sales. "If we identify our market niche; we could have stronger control of the market, as we will be able to more closely identify the needs of those specific customers, thereby contributing to improving our sales. However, what we need right now is not just sales maximisation, but also maximising profits. We may have to relook at our entire marketing mix", the CEO argued.

The Marketing Director reacted by confirming that it is a great idea. The marketing mix relates to 4Ps: Product, Price, Place, and Promotion. The main challenge the company is facing revolves around the product and price. The Marketing Director stressed that if MCL is to effectively compete with European juices, it may require some changes to the existing MCL products and prices. This change may entail either modifying or bringing in new juices which are not part of what MCL produces, or completely moving into a new market with totally a new product. On the pricing front, he emphasised that since pricing is a major element that contributes towards determining the success or failure of MCL, it would be important that pricing objectives are shared with all staff members; since prices affect every aspect of the company.

The CFO intervened and claimed that not to be a viable option, since the company does not have enough cash. He equally warned that while selecting a marketing strategy, company resources should be considered among other factors such as product homogeneity, market homogeneity, and the product life cycle. This was considered to be a great idea by both the Marketing Director and the Operations Manager. They claimed that since European juices are just of two types: orange and apple; then MCL can concentrate on advertising pineapple juices and also consider producing mixed juices from all the three types which will serve as an innovation on the side of MCL including changing the packaging to be recyclable and environmentally friendly just like the European juices. The CEO requested the Operations Manager to immediately start the process of producing that new product the mixed juices.

Leadership at MCL

The CEO of MCL is very enthusiastic about the success of the company. He does not only look at the current performance of MCL, but also considers the long-term success by integrating the vision, creativity and the necessary innovations to sustain and maintain MCL's stability. He was recently nominated among the 10 most influential leaders in the country who possess the ability to anticipate, envisage and empower others to facilitate changes where they are needed - one of the main attributes of strategic leadership. It is believed that for an organisation to achieve its strategic goals and objectives, it has to start from understanding the rationale of its existence and secondly: knowledge of customer needs and wants.

To achieve that, therefore, it requires effective leaders to set key strategic leadership actions including the need to strengthen ethical behaviours, capacity building to all staff, reinforcing cultural change where required, maintaining core competencies, as well as committing to the organisation's vision.

Last but not least, the environment in which businesses operate is volatile. It therefore requires that leaders scan both the internal and external environment to find out the gaps and then develop strategic plans and control measures to address them. Control as part of strategic implementation involves thinking and planning, which is a major ingredient of organisational success.

Required:

As part of the review of the strategic process at MCL, the Marketing Director emphasised that MCL's market should be segmented, since their juices were not appealing to all the customers in Rwanda.

- (a) **Explain methods of market segmentation that MCL should consider.** (4 Marks)
- (b) **Explain benefits that MCL would enjoy after segmenting its market.** (4 Marks)
- (c) **Considering the current position of MCL, critically recommend the most appropriate segmentation strategy to deploy and why?** (5 Marks)
- (d) **As per the Marketing Director's proposal, what changes can be made on the current MCL's product mix.** (5 Marks)
- (e) **As per the Marketing Director's recommendations, discuss the benefits that MCL would enjoy by changing its prices.** (5 Marks)
- (f) **Referring to the CEO's request to the Marketing Director, what steps that would be taken to develop and introduce mixed juices to the Rwandan market.** (7 Marks)
- (g) **Discuss leadership styles and critically assess the leadership style of MCL's CEO.** (5 Marks)
- (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 help of examples, describe the key strategic leadership actions which MCL would undertake to facilitate the required change.** (10 Marks)
- (i) **Evaluate a balanced organisational control mechanism that MCL would effectively deploy to inspire an appropriate action.** (5 Marks)

(Total: 50 Marks)

SECTION B

QUESTION TWO

Rugando Electronics Corporation (REC)

Rugando Electronics Corporation (REC) is a leading local manufacturer of consumer electronics, specializing in smartphones, tablets, and smart home devices. The company operates in a highly competitive and dynamic industry, where innovation and customer satisfaction are paramount. REC is known for its commitment to sustainability and social responsibility.

REC has a wide range of stakeholders, each with different interests and levels of influence:

- **Customers:** These include individual consumers and corporate clients who purchase REC products. They have high interest as their satisfaction impacts sales and brand reputation. They also have influence through product reviews and feedback.
- **Shareholders:** REC has a diverse group of shareholders, including institutional investors and individual shareholders. They have a high level of interest and significant influence on the company's financial decisions.
- **Employees:** The company has a large and diverse workforce, including engineers, designers, manufacturing staff, and sales representatives. They have high interest in job security, fair compensation, and career development. Labor unions represent some employees and have moderate influence.
- **Suppliers:** REC sources components and materials from various suppliers globally. Suppliers have a high interest in maintaining the business relationship, but the degree of their influence may vary depending on the availability of alternative suppliers.
- **Competitors:** Rival companies in the electronics industry are key stakeholders with high interest and influence. Their actions directly affect market dynamics and competitive positioning.
- **Environmental NGOs:** Organizations advocating for environmental sustainability closely monitor REC's environmental practices. They have minimal interest and influence, primarily through public awareness campaigns.
- **Local Communities:** The communities in which REC operates its manufacturing facilities have a less interest. The company's presence affects the local economy and environment.

REC has recently formed a new cross-functional team to develop an innovative product that aligns with the company's vision of sustainability and technological advancement. The team is composed of individuals from different departments, including R&D, marketing, and manufacturing. The team's objective is to create a market-leading sustainable product within a tight timeframe. This team will be led by Mr Claude Kamana.

Required:

- (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. (9 Marks)
 - (ii) **What engagement strategies would you recommend for stakeholders in the "High Attention, High Power" quadrant, and why?** (3 Marks)
- (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.** (13 Marks)
- (Total: 25 Marks)**

QUESTION THREE

Kagitumba Pharmaceutical Company (KPC)

Kagitumba Pharmaceutical Company (KPC) is a leading pharmaceutical company with a diverse product portfolio. The company operates in a dynamic industry, and its products are at different stages of the life cycle. The management team is seeking strategic advice to allocate resources efficiently.

Product Portfolio:

Product X: Product X is a blockbuster drug that has recently received Food and Drugs Authority (FDA) approval. It has been experiencing rapid sales growth and has a strong market demand. This drug is considered a significant revenue driver for the company.

Product Y: Product Y is a medication that has been on the market for several years. It has stable sales and faces moderate competition from other pharmaceutical companies. While it may not have explosive growth, it remains a reliable source of income.

Product Z: Product Z is a new experimental drug currently in the research and development phase. It is expected to have high growth potential, but the outcomes are uncertain at this stage. The company has invested heavily in its development.

Product W: Product W is an older medication that has reached maturity in the market. It faces increasing competition from generic versions and has experienced a decline in sales over the years.

KPC has recently experienced changes in its leadership team. The company is navigating a rapidly evolving industry landscape with diverse challenges, including drug development, regulatory compliance, and market competition. KPC acknowledges the importance of developing people to achieve high performance. The management is looking to assess and improve leadership effectiveness within the organization.

Required:

- (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.** (14 Marks)
- (b) With reference to KPC's recent changes leadership team and by applying the Leadership Grid model by Robert R. Blake and Anne Adams McCauley:
 - (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.** (6 Marks)
 - (ii) **State the key characteristics and behaviours associated with the leadership style in (i) above.** (5 Marks)

(Total: 25 Marks)

QUESTION FOUR

Kangondo Mining Corporation (KMC):

Kangondo Mining Corporation (KMC) is a well-established mining company known for its dedication to sustainable and responsible mining practices. The company operates in diverse geographical locations, extracting various mineral resources, and is committed to minimizing its environmental impact while ensuring the safety and well-being of its workforce.

KMC operates in the challenging and volatile mining industry. The company's leadership team has recognized the need to establish a clear strategy to navigate market fluctuations and capitalize on emerging opportunities. They have embraced a dynamic approach to strategy development that aligns with the nature of the mining industry.

The company's strategy development approach prioritizes flexibility, allowing for quick adjustments in response to changing market conditions, technological advancements, and unforeseen challenges. KMC also values adaptability, enabling it to seize new opportunities that emerge in the mining sector while mitigating risks effectively. Further, the company encourages a culture of innovation, fostering continuous improvement in mining processes, environmental practices, and safety measures.

KMC intends to establish a new facility in Musanze district. The company management acknowledges the impact of a facility location as a significant factor because it may affect the operational costs.

Required:

- (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.** (5 Marks)
 - (ii) **Discuss the advantages and challenges associated with choosing the strategy development approach in (i) above in the context of KMC.** (12 Marks)
- (b) **Considering KMC's new proposed facility in Musanze district, explain factors that may affect the company's operational costs.** (8 Marks)

(Total: 25 Marks)

End of question paper