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**CERTIFIED PUBLIC ACCOUNTANT  
ADVANCED LEVEL 1 EXAMINATION  
A1.1: STRATEGY AND LEADERSHIP  
DATE: MONDAY 25, NOVEMBER 2024  
MARKING GUIDE AND MODEL ANSWERS**

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## **SECTION A**

### **QUESTION ONE**

**LENO Company Limited (LENO):**

**Marking Guide:**

<b>Qn</b>	<b>Description</b>	<b>Marks</b>	<b>Total Marks</b>
<b>a</b>	LENO's Michael Porter's Five Forces framework: Must be explained well and linked to the case		
	A short but clear introduction/description to Michael Porter's Five Forces framework	2	
	Threat of New Entrants (1 mark awarded for a correct description of this force and 1 mark for a correct assessment of this force in line with LENO)	2	
	Bargaining Power of Suppliers (1 mark awarded for a correct description of this force and 1 mark for a correct assessment of this force in line with LENO)	2	
	Bargaining Power of Buyers (1 mark awarded for a correct description of this force and 1 mark for a correct assessment of this force in line with LENO)	2	
	Threat of Substitute Products (1 mark awarded for a correct description of this force and 1 mark for a correct assessment of this force in line with LENO)	2	
	Rivalry Among Existing Firms (1 mark awarded for a correct description of this force and 1 mark for a correct assessment of this force in line with LENO)	2	
	A valid diagram/illustration of the Michael Porter's Five Forces framework. No additional marks for a diagram with LENO's data inside the diagram but no penalty as well	1	13
<b>b (i)</b>	LENO's Value-Chain Analysis: Must be explained well and linked to the case		
	A short but clear introduction/description to Value-Chain Analysis	2	
	Inbound logistics (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Operations (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	

<b>Qn</b>	<b>Description</b>	<b>Marks</b>	<b>Total Marks</b>
	Outbound Logistics (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Marketing and Sales (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Customer Service (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Procurement (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Technology Development (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Human Resource Management (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Infrastructure (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	Firm Infrastructure (Award 1 mark for a correct assessment of this activity if it's linked to LENO. Award 0.5 marks if not linked to the case)	1	
	A valid diagram/illustration of the Michael Porter's value-chain model. No additional marks for a diagram with UoM's (explain it in full) data inside the diagram but no penalty as well	1	13
<b>b (ii)</b>	Award 2 marks for each correctly explained point with a maximum of 5 points = 2*5=10 maximum marks. If the point is simply listed with no description, award 1 mark. Alternative correct points provided by candidates not in the model answer should be considered.		10
<b>c</b>	LENO's ethical implications of allegations:		
	A short introduction/description of what business ethics is and its aim/purpose	2	

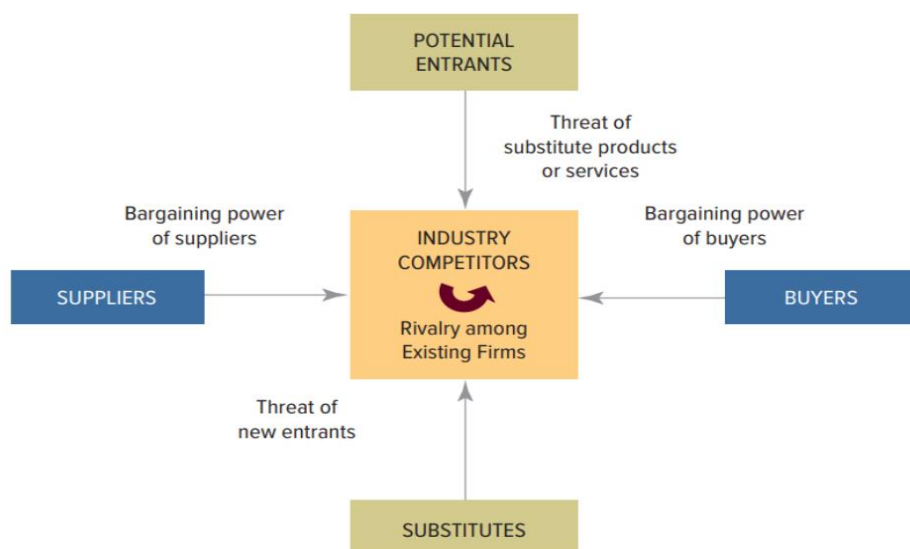
Qn	Description	Marks	Total Marks
	Consequences (To be correct, the answers must be addressing specific examples of allegations in the case study. Award 2 marks for each well explained point. Award 1 mark if not explained. 2*6=12 Maximum marks) Candidates may identify other consequences, which is acceptable if they are linked to the issues in the case	12	14
	<b>Total Marks</b>		<b><u>50</u></b>

### Model Answer:

- a) Applying the Michael Porter's Five Forces framework, **Discuss and analyse the five forces that influence LENO Company Limited within the consumer electronics industry.**

The “**five forces**” **model** is a tool for examining the industry-level competitive environment, especially the ability of firms in that industry to set prices and minimize costs. The “**five forces**” **model** developed by Michael E. Porter has been the most commonly used analytical tool for examining the competitive environment. It describes the competitive environment in terms of five basic competitive forces as demonstrated in Figure 1.1:

**Figure 1.1: Porter’s Five Forces Model**



In the case of LENO Company Limited, the Five Forces Analysis reveals the following:

### **Threat of New Entrants:**

LENO faces a moderate threat of new entrants. Its long-standing presence, economies of scale, and well-established distribution channels act as barriers to entry. However, the rapid pace of technological change means that innovative startups and established companies from adjacent industries could potentially enter the market.

### **Bargaining Power of Suppliers:**

LENO's bargaining power with suppliers is relatively high. Given its size and reputation, LENO can negotiate favourable terms with component suppliers, ensuring a consistent supply of high-quality materials. This positions the company advantageously in terms of cost control and product quality.

### **Bargaining Power of Buyers:**

LENO's consumers hold moderate bargaining power. The consumer electronics industry is highly competitive, offering a wide range of alternatives. Price sensitivity and the availability of substitute products can impact LENO's sales and profitability. However, brand loyalty and product innovation can help mitigate this threat.

### **Threat of Substitute Products:**

The threat of substitute products is high in the consumer electronics industry. Rapid technological advancements can quickly make existing products obsolete. Consumers have many choices, ranging from different brands to entirely different types of devices (e.g., smartphones vs. tablets). LENO must continuously innovate to stay ahead and retain its customer base.

### **Rivalry Among Existing Firms:**

Competition within the consumer electronics industry is intense. LENO competes with well-established global giants and emerging competitors. Price wars, product differentiation, and marketing campaigns are common tactics. LENO's focus on innovation and cost-effective manufacturing has allowed it to maintain a competitive edge.

b) Using the Value-Chain Analysis:

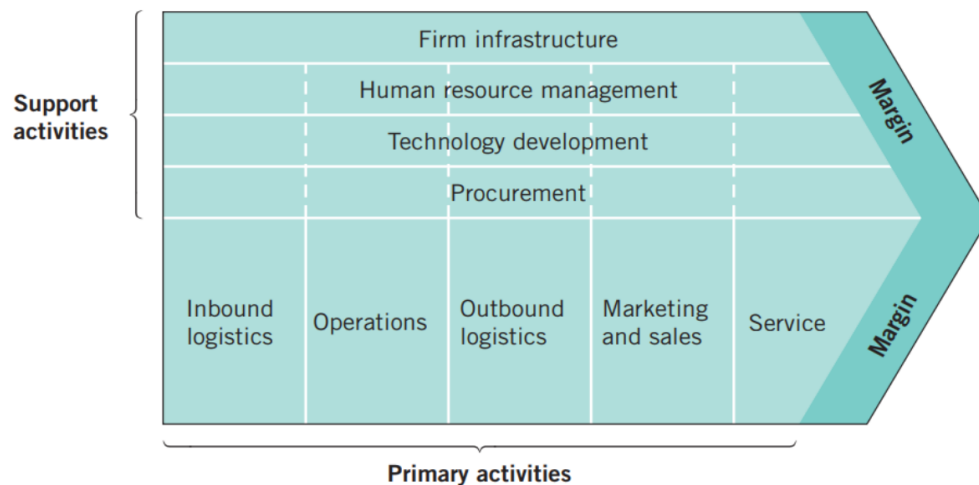
### **Conduct LENO's Value-Chain Analysis based on the information provided in the case study.**

Value-chain analysis is a strategic analysis of an organization that uses value-creating activities. Value-chain analysis views the organization as a sequential process of value-creating activities. The approach is useful for understanding the building blocks of competitive advantage and was described in Michael Porter's seminal book: *Competitive Advantage*. Value is the amount that buyers are willing to pay for what a firm provides them and is measured by total revenue, a reflection of the price a firm's product commands and the quantity it can sell. A firm is profitable when the value it receives exceeds the total costs involved in creating its product or service. Creating value for buyers that exceeds the costs of production (i.e., margin) is a key concept used in analysing a firm's competitive position.

Porter described two different categories of activities. Firstly, five **primary activities**—inbound logistics, operations, outbound logistics, marketing and sales, and service—contribute to the physical creation of the product or service, its sale and transfer to the buyer, and its service offerings after the sale. Secondly, **support activities**—procurement, technology development,

human resource management, and general administration—either add value by themselves or add value through important relationships with both primary activities and other support activities. Figure 1.2 below illustrates Porter’s value chain.

**Figure 1.2: The value chain within an organisation**



LENO's value chain consists of various activities that collectively contribute to delivering value to customers and enhancing the company's competitive position.

### Primary Activities:

**Inbound Logistics:** Efficient sourcing of raw materials and electronic components support cost-effective manufacturing and ensure high product quality, directly benefiting customers.

**Operations:** State-of-the-art manufacturing facilities and innovation in product design ensure the production of high-quality electronics, contributing to LENO's competitive position and customer satisfaction.

**Outbound Logistics:** A well-managed distribution network ensures timely delivery, enhancing customer satisfaction and market presence.

**Marketing and Sales:** Marketing strategies and partnerships increase brand recognition and customer reach, directly impacting sales and competitiveness.

**Customer Service:** Comprehensive customer support, including technical assistance and warranties, ensure a positive customer experience, thereby fostering loyalty and repeat business.

### Support Activities:

**Procurement:** Effective procurement negotiations result in cost savings, which can be passed on to customers through competitive pricing.

**Technology Development:** Ongoing research and development lead to product innovation, driving competitiveness and customer attraction.

**Human Resource Management:** Attracting and retaining top talent supports innovation and excellent customer service, ultimately benefiting customers.

**Infrastructure:** Advanced manufacturing facilities and an efficient supply chain contribute to product quality and timely delivery, enhancing customer satisfaction.

**Firm Infrastructure:** A customer-centric culture and a commitment to efficiency support all value chain activities, ultimately benefitting customers.

- i) **Propose strategies and actions that LENO can implement to optimize its value chain, reduce costs, and improve the overall customer experience, drawing insights solely from the information presented in the case study.**

**Invest in Research and Development:** Allocate resources to innovation and technology development to stay at the forefront of the consumer electronics industry.

**Enhance Online Sales:** Expand LENO's online sales channel and leverage data analytics to understand customer preferences and improve the online shopping experience.

**Supply Chain Efficiency:** Continuously optimize the supply chain to reduce costs, minimize lead times, and ensure consistent product availability.

**Customer Engagement:** Implement customer feedback mechanisms and loyalty programs to enhance customer satisfaction and foster brand loyalty.

**Talent Retention:** Develop strategies to retain top talent, ensuring a culture of innovation and exceptional customer service.

- ii) **Based on the provided case study of unethical practices at LENO Company Limited, assess the ethical implications of these allegations.**

Ethics have been defined as the discipline dealing with what is good or bad, and with moral duty and obligation. An Ethic is a set of moral principles. And 'Business ethics involve corporate recognition of - and compliance with - a paradigm that provides common recognition of and the need to practice proper behaviour.' Where a company does not consider ethics to be part of its practices, it stands to pay a heavy price for consequences of inappropriate behaviour.

The unethical practices committed by LENO raise several ethical concerns and potential consequences:

**Employee Welfare:** First and foremost, the reported practices directly impact the well-being of LENO's employees. Long working hours, unsafe conditions, and inadequate compensation not only jeopardize their physical and mental health but also violate their basic human rights. This raises ethical questions about LENO's treatment of its workforce.

**Reputation:** Ethical lapses in labour practices can severely damage LENO's reputation. In today's interconnected world, news of such practices can spread quickly through social media and news outlets, leading to negative publicity. This tarnished reputation can erode customer trust and shareholder confidence, impacting the company's bottom line and its ability to attract top talent.

**Stakeholder Trust:** Trust is a fundamental element of any successful business relationship. The alleged unethical practices can erode trust not only among employees but also among customers, shareholders, and the public. This loss of trust can result in decreased customer loyalty, declining stock prices, and a more challenging business environment for LENO.

**Regulatory Scrutiny:** Unethical labour practices can attract regulatory attention, leading to investigations and potential legal consequences. Regulatory authorities may impose fines or sanctions, further damaging the company's financial health and reputation.

**Consumer Boycotts:** Ethical consumers who prioritize responsible business practices may boycott LENO's products, impacting sales and market share. This can have long-term financial consequences for the company.

**Legal Risks:** LENO may face legal action and fines for violating environmental regulations related to electronic waste disposal. These legal consequences can be financially burdensome and damage the company's reputation.

**Environmental Impact:** Improper disposal of electronic waste contributes to environmental pollution. Toxic materials, such as heavy metals and hazardous chemicals, can seep into soil and water, posing risks to ecosystems and public health. This raises ethical concerns about LENO's responsibility to protect the environment.

**Reputational Risks:** LENO's reputation as an environmentally responsible company is at stake. Consumers, particularly those who prioritize eco-friendly products, may view the company negatively. Shareholders and investors may also become concerned about potential financial and legal repercussions.

**Consumer Perception:** In today's environmentally conscious market, consumers are increasingly concerned about the ecological footprint of the products they purchase. Reports of improper electronic waste disposal can lead consumers to choose competitors' products that align with their ethical and environmental values.

**Supply Chain Impact:** LENO's suppliers and partners may reconsider their relationships with the company if it is associated with unethical environmental practices. This can disrupt the supply chain and affect the company's operations.



Regulatory Oversight: Regulatory authorities may increase scrutiny of LENO's environmental practices, leading to additional compliance requirements and potential fines. This can impact the company's operational costs and profitability.

## **SECTION B**

### **QUESTION TWO**

#### **Marking guide**

**a) What Michael Porter's generic strategies would you recommend that would provide Amarembo Restaurant with a competitive advantage.**

Cost leadership	2
Differentiation	2
Cost Focus	2
Differentiation Focus	2
AR strategy	2
<b>Maximum marks</b>	<b>10</b>

**b) Critically identify and evaluate strategic options or directions that Amarembo Restaurant may pursue.**

Withdrawal	1.5
Consolidation	1.5
Market penetration	1.5
Product development	1.5
Market development	1.5
Diversification	1.5
Any other valid point (will attract 1.5 Marks)	1.5
<b>Maximum marks</b>	<b>9</b>
Suitability	2
Acceptability	2
Feasibility	2
<b>Maximum marks</b>	<b>6</b>

**(Any three strategies will be acceptable in and evaluation thereof) (Total: 25 Marks)**

#### **Model Answer**

**a) The owner of Amarembo Restaurant has approached you for some advice. What generic strategy would you recommend that would provide Amarembo Restaurant with a competitive advantage. Provide an example on each evaluated strategy.**

Strategic choice refers to the process of evaluating strategic options with an intent of choosing the most suitable one.

Cost leadership – this is where Amarembo Restaurant sets out to become the low-cost producer. If it can achieve and sustain its cost leadership then it will be an above average performer in this industry. This can be achieved by ensuring that Amarembo Restaurant reduces the selling price of food.

Differentiation – this is where Amarembo Restaurant seeks to be unique in its industry and be widely valued by its customers. It is rewarded with a premium price which exceeds the extra cost incurred in being unique. This can be achieved by ensuring that the food Amarembo Restaurant prepares is as unique as possible when compared to the other three restaurants.

Cost Focus – this is when Amarembo Restaurant would be seeking advantage in a target segment by focusing on minimisation of costs within that focused market. This can be achieved by ensuring that Amarembo Restaurant remains clear about the cost sensitive requirements of the market.

Differentiation Focus - exploits the special needs of buyers in certain segments by pursuing differentiation within a focused market. This can be achieved by ensuring that Amarembo Restaurant focus remains on features other than the cost.

Since competitors sell at a cheaper price than Amarembo Restaurant, it would be difficult to compete on price. The Luwombo food which would have supported the differentiation strategy is not liked by all customers. Amarembo Restaurant would therefore adopt a differentiation focus by preparing the unique Luwombo but for a particular market segment which likes that food.

**b) Critically identify and evaluate strategic options or directions that Amarembo Restaurant may pursue.**

**Withdrawal**

If Amarembo Restaurant lacks the resources or competence to compete in this market, and it cannot also expand in other markets, then it may consider withdrawing.

**Consolidation**

Here Amarembo Restaurant would be concerned with protecting and strengthening its current market. However, consolidation does not mean remaining static rather it is a method of deploying the resources so it fits the intended market.

**Market penetration**

Situations may occur where there are opportunities to gain market share; e.g. when Amarembo Restaurant opens up new restaurants that would be treated as market penetration. However, market penetration may be affected by factors such as market growth rate, resource constraints or ignoring smaller market share competitors and their potential to grow.

### **Product development**

There are many reasons why organisations pursue product development initiatives e.g., changing needs of customers in products and services. In this case, Amarembo Restaurant would consider adding to its menu new foods in case it realises that customers would buy.

### **Market development**

Where Amarembo Restaurant's aspirations have outstripped the opportunities in the existing market it is natural to explore the opportunities in new markets.

### **Diversification**

With diversification, Amarembo Restaurant would be looking at venturing into other businesses without necessarily withdrawing from the restaurant business.

**Strategic options should be evaluated according to their suitability, acceptability, feasibility, and evaluation (SAFE).**

### **Suitability**

Suitability is the criterion used for screening strategic options and how it fits into the situations identified in the strategic analysis and how it would sustain or improve competitive advantage. Consolidation and market development appear suitable as the owner as already indicated how they tend to expand and the research conducted already proved that expanding into other locations would be worthwhile.

### **Acceptability**

Acceptability examines whether a specific strategy is acceptable to the stakeholders of the organisation. Since the owner of Amarembo Restaurant is the one making those choices, then it means that the option of consolidation and market development is automatically accepted. However, a deep analysis through the calculation of a return on investment, cost benefit analysis etc, may be required to further support the acceptability criteria.

Feasibility is concerned as to whether a specific strategy can be implemented successfully. There appears to be no information confirming as to whether consolidation or new product development would be a feasible option. Nonetheless, the research the owner conducted may be used to confirm feasibility, otherwise, funds flow analysis or break-even analysis would be required to be prepared.

Please add the discussion on 'evaluation'.

### QUESTION THREE

#### Marking guide

##### a) Effective change strategies

Recruitment	1
Work culture	1
Any other valid point (will attract 1 Mark)	1
<b>Maximum marks</b>	<b>2</b>

##### b) Examine the five steps that would be considered by TAMR to effectively implement the required change process.

Prepare for change	1
Create a vision for change	1
Implement the changes	1
Embed and solidify changes	1
Review and analyse	1
Any other valid point (will attract 1 Mark)	1
<b>Maximum marks</b>	<b>5</b>

##### c) Nine key components of a project management process Industry analysis

Goals	1
Scope	1
Key achievement	1
Timeline	1
Budget	1
Work break down structure	1
Human resource plans	1
Communications	1
Risk management	1
Quality standards	1
Any other valid point (will attract 1 Mark)	1
<b>Maximum marks</b>	<b>9</b>

##### d) How would TAMR ensure an effective evaluation of this strategy to ensure that the Ministry continues to support them.

Strategic evaluation well explained	1.5
Establish standards	1.5
Measure performance	1.5
Analyse results	1.5
Make adjustments	1.5

Set goals	1.5
Any other valid point (will attract 1.5 Marks)	1.5
<b>Maximum marks</b>	<b>9</b>
<b>(Total: 25 Marks)</b>	

## Model Answer

- a) You have been contracted by TAMR to act as their change manager. Explain to the management the circumstances under which TAMR may be required to build and deliver effective change strategies.**

Circumstances for an effective change management strategy at TAMR are:

Implementing a new strategy – TAMR has been tasked with managing the project of delivering motorcycles to 66 individuals in Nyamabuye sector. Considering that this is something they are doing for the first time, and they are equally required to relocate, a move that has led to some staff members resign, automatically calls for a change strategy.

It is expected that there would be some recruitment to be done to replace those who resigned and probably a change in the Association's structure too.

A change in work culture may also require TAMR to also build and deliver an effective change strategy.

- b) Examine the five steps that would be considered by TAMR to effectively implement the required change process.**

The five steps required by TAMR to effectively implement a required change process are:

Prepare for change

TAMR's CEO or any other senior manager would be required to explain the changes that are happening at TAMR including the need to relocate to Nyamabuye sector so that they get prepared.

Create a vision for change

Once management has already agreed to this, a transformation strategy should be set and all the stakeholders involved should be aware. TAMR management should create a vision for this change.

Implement the changes

This step puts the change plans into action. TAMR would be required to effectively communicate, whilst ensuring that everyone is doing their duties and that employees are still happy and empowered. This will facilitate TAMR to run smoothly.

Embed and solidify changes

Once the changes have been made, TAMR will ensure the transformation is in place so that staff members don't slip back into old ways and this will maintain staff.

Review and analyse

The final stage of the process is important to make sure that changes continue and are beneficial. TAMR management would have to review what worked and what didn't work to make adjustments accordingly.

- c) Describe nine key components of a project management process such as the one being undertaken by TAMR which the Operations Director should consider to ensure the project gets successful.

Project management refers to a process of overseeing the completion of a project while following specific criteria and timelines.

The nine key components of a project management process at which the TAMR's Operations Director (OD) should consider are:

**Goals** - When starting this project, the Operations Director will have to identify TAMR's objectives as well as the specific results TAMR will hope to achieve by completing the project.

**Scope** - The scope defines the project results, including what the end product looks like or how it performs. The OD will have to create the scope by identifying other project components, such as goals, quality standards, budgets and timelines.

**Key achievement** – The OD will equally need to identify the major milestones or deliverables that the assembled team will complete.

**Timeline** - After the scope and goals have been defined, a timeline for completing the project should also be determined. The OD along with the CEO will have to work with external stakeholders to help create and maintain deadlines to be met.

**Budget** - A budget demonstrates the amount of money allotted to the project. The CEO with support from the OD, will have the responsibility to allocate and track monetary resources.

**Work break down structure** - A work breakdown structure (WBS) divides the project into smaller tasks. These tasks support the completion of the project's defined milestones and deliverables. The OD will work with the CEO to ensure that this is done.

**Human resource plans** - Project management uses human resources plans to define the project's staffing. This plan outlines which employees will serve on a project team and the amount of time they will commit to it.

**Communications** - Effective communication is critical to tracking the progress and success of a project. The OD will create a plan that defines TAMR's communication expectations within the team and with other stakeholders.

**Risk management** - Not every project goes as planned, so the OD with CEO's support will need to recognize the potential challenges or risks TAMR may face by either creating a risk management plan or risk register to identify risks and determine strategies for handling them.

**Quality standards** – The OD will need to set quality standards for TAMR's end deliverables and the project itself through collaboration with relevant stakeholders.

**d) TAMR is considering replacing fuel motorcycles with electric ones, and this move is highly welcomed by the Ministry authorities. To further render their support, they wish this strategy gets evaluated. How would TAMR ensure an effective evaluation of this strategy to ensure that the Ministry continues to support them, giving appropriate and relevant examples.**

A strategic evaluation is an act of reviewing a particular corporate strategy to ensure that it's functioning correctly. The process involves looking back at the goals in TAMR's strategic plan and assessing how well they have performed.

Steps that can be taken to evaluate a strategy.

Establish standards

Before evaluating TAMR's strategy or policy, management will need to create a set of standards that will be used to measure the progress and goals of the new strategy. For example, they may set a standard of having reduced fuel motorcycles to be replaced by electric ones by 50% by the year 2024.

Measure performance

The above standard can thereafter be evaluated by gathering information about its performance. Through surveys for example, TAMR's technical team can establish the extent or number of electric motorcycles in Nyamabuye sector by December 2024 and the qualitative project impact in terms of green environment.

Analyse the results

After data has been obtained detailing how well a strategy functioned during a set period of time, say December 2024, TAMR team will then compare it to the standards that had been initially set, say 50 % reduction of fuel motorcyles.

Make adjustments

Modifications to the strategy may be conducted which would increase the possibility of achieving set goals, in case expected results have not been achieved. For example, if by December 2024, the 50% target has not been reached, TAMR may have to revise the strategy.



Set goals

After this evaluation and any necessary adjustments have been made, TAMR may now set goals for the next evaluation. If the previous evaluation indicated that only 30% of the target can be achieved, then new goals can be set based on that in mind

## **QUESTION FOUR – Airnet Ltd**

### **Marking guide**

**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
<b>Maximum marks</b>	<b>6</b>

**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
<b>Maximum marks</b>	<b>8</b>

**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
<b>Maximum marks</b>	<b>4</b>

**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
<b>Maximum marks</b>	<b>7</b>
<b>Total</b>	<b>25marks</b>

### **Model Answer – 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 costlier and consuming more of Airnet Ltd.'s resources.

**End of Marking Guide and Model Answer**