
**CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATIONS**

A1.1: STRATEGY AND LEADERSHIP

DATE: MONDAY, 29 NOVEMBER 2021

MODEL ANSWERS AND MARKIMNG GUIDE

SECTION A

QUESTION ONE

Marking Guide

Gihanga Breweries Limited (GBL)

Qn	Description	Marks	Total Marks
a	GBL's PESTEL Analysis: The analysis should be robust and be linked to the GBL context Each factor (letter) should have a minimum of a brief explanation/description of what it means and discussion of the GBL link A short and correct introduction of the PESTEL framework	1	
	Political (1 mark for a short description and 1 mark for a discussion of political issues in GBL's context)	2	
	Economical (1 mark for a short description and 1 mark for a discussion of economical issues in GBL's context)	2	
	Social (1 mark for a short description and 1 mark for a discussion of social issues in GBL's context)	2	
	Technological (1 mark for a short description and 1 mark for a discussion of technological issues in GBL's context)	2	
	Environmental/ecological (1 mark for a short description and 1 mark for a discussion of environmental/ecological issues in GBL's context)	2	
	Legal (1 mark for a short description and 1 mark for a discussion of legal issues in GBL's context)	2	
	A valid diagram/illustration of the PESTEL framework	2	15
b	GBL's strategic directions: The examination should include a short discussion of what each strategic direction means and a discussion of how GBL proposes to implement it A short but clear introduction to the Ansoff Matrix (appropriate corporate growth model)	2	
	For each strategic direction, 1 mark is awarded to a correct description of the strategic direction, 1 mark to a correct linked GBL's board comp's suggestion, and 1 mark to one correct risk/challenge of the strategic direction Market Penetration (1 mark is awarded to a correct description of the strategic direction, 1 mark to a correct linked GBL's board camp's suggestion, and 1 mark to one correct risk/challenge of the strategic direction)	3	

Qn	Description	Marks	Total Marks
	Product and service Development (1 mark is awarded to a correct description of the strategic direction, 1 mark to a correct linked GBL's board camp's suggestion, and 1 mark to one correct risk/challenge of the strategic direction)	3	
	Market Development (1 mark is awarded to a correct description of the strategic direction, 1 mark to a correct linked GBL's board camp's suggestion, and 1 mark to one correct risk/challenge of the strategic direction)	3	
	Diversification (1 mark is awarded to a correct description of the strategic direction, 1 mark to a correct linked GBL's board camp's suggestion, and 1 mark to one correct risk/challenge of the strategic direction)	3	
	A valid diagram/illustration of the Ansoff Matrix. No additional marks for a diagram with GBL's data inside the diagram but no penalty as well	1	15
	Advice to the board: Must be clearly explained and justified. Other advice offered by candidates should be considered		
	Advice to the board (1 mark for the proposed strategic direction and 1 mark for the justification)	2	
	Challenges/bottlenecks associated with the proposed advice (1 mark for any one challenge)	1	
	A description of how GBL should develop a clear road map to achieve the proposed strategic directions	2	5
c	Generic competitive strategies available to GBL: Each generic strategy must be explained well and linked to GBL		
	A short and correct introduction to the Michael Porter's generic competitive strategy model	2	
	For each competitive strategy, 2 marks is awarded to a correct description of the competitive strategy and 2 marks to how GBL would implement it		
	Cost leadership strategy (2 marks is awarded to a correct description of the competitive strategy and 2 marks to how GBL would implement it)	4	
	Differentiation strategy (2 marks is awarded to a correct description of the competitive strategy and 2 marks to how GBL would implement it)	4	
	Focus strategy (2 marks is awarded to a correct description of the competitive strategy and 2 marks to how GBL would implement it). 2 focus strategies answered differently are awarded full 4 marks	4	
	A valid diagram/illustration of the Michael Porter's generic competitive strategy model. No additional marks for a diagram with GBL's data inside the diagram but no penalty as well	2	
	A statement that GBL could pursue a combination of the three competitive strategies regardless of where in the answer it was stated	1	15

Qn	Description	Marks	Total Marks
	Total Marks		<u>50</u>

Detailed answer

Gihanga Breweries Limited (GBL)

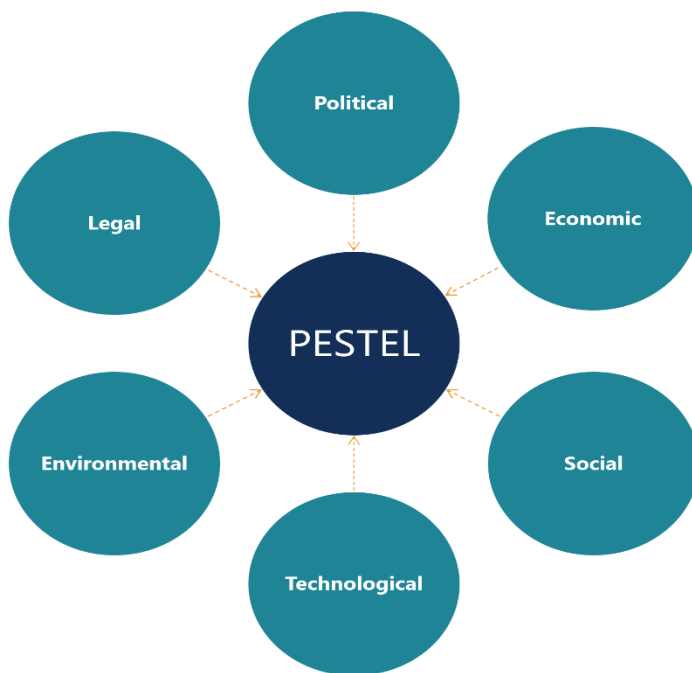
a) Using the PESTEL framework, analyse GBL's macro-environment.

PESTEL Analysis is a strategic framework used to evaluate the external environment of a business by breaking down opportunities and risks into:

Political, Economic, Social, Technological, Environmental/Ecological, and Legal factors.

PESTEL Analysis (see figure 1.1) can be an effective framework to use in corporate strategy planning and for identifying the pros and cons of a business strategy. The PESTEL framework is an extension of the PEST strategic framework, one that includes additional assessment of the environmental and legal factors that can impact a business.

Figure 1.1: The PESTEL Framework



Below is an analysis of GBL macro-environment using the PESTEL framework:

Political Factors

The political element of PESTEL highlights the role of the state and other political factors in the macro-environment.

Government established Gihanga Special Economic Zone (GSEZ), a special business location established by the government of Rwanda to increasing trade balance, employment, increased investment, job creation and effective administration. Although other companies located in GSEZ enjoy favourable tax policies, GBL does not seem to enjoy these policies due to the nature of its products that are considered harmful by society. On a positive note, GBL operates in a relatively stable political environment that is built on the government of Rwanda's commitment to safeguard its citizens. This helps GBL to establish firm strategies for a longer period. Although there have not been any major civil unrests in the country for over 2 decades, there has been reported violence in some countries in the region over the past few years, which has significantly impacted GBL's operations in these countries. GBL must devise strategies to operate in unstable regional markets if it is to be successful.

Economic Factors

Economic Factors take into account the various aspects of the economy, and how the outlook on each area could impact your business. These economic indicators are usually measured and reported by central banks and other government agencies.

Although there has been a major economic downturn in the recent past, fuelled mainly by the COVID-19 pandemic, GBL's seems to have benefited from this economic catastrophe. As businesses were affected, GBL experienced increased demand and increased sales of its beverages because mainly as people were being laid off from jobs and forced to stay at home due to lockdowns, they were spending time with friends and family or at home. This meant that they consumed more alcohol, hence more demand for GBL. As a result, GBL reported, in a press conference aired on state television, that its pre-tax profit more than doubled to FRW 14 billion in 2020, boosted by higher beer sales and lower operating costs. This is evidenced by a statement on the company's website where GBL said that beer sales rose by 10%, weathering year-long bar closures as part of curbing the spread of COVID-19, as consumers bought from boutiques, mini markets, supermarkets, and restaurants.

Social Factors

PESTEL analysis also takes into consideration social factors, which are related to the cultural and demographic trends of society. Social norms and pressures are key to determining consumer behaviour.

Demographics indicate that GBL operates in an environment with a relatively high population growth and growing middle income. This seems to be an optimistic statistic for GBL as it hopes to tap into this growing opportunity. Available information seems to suggest various consumption patterns for different customer age groups. For instance, middle-aged customers prefer global brands of beer, wine, and liquors as they appear trendy and classy especially on social media. On the other hand, older cluster of customers prefer classic beer products produced by GBL such as Icyaka and Gotomera. This coupled with differences in times of consumption means that GBL has

to be strategic with its marketing and sales efforts to target the right customers and the right time and place.

Technological Factors

Technological factors are linked to innovation in the industry, as well as innovation in the overall economy. Not being up to date to the latest trends of a particular industry can be extremely harmful to operations.

The management of GBL seems interested in jumping on the technological trends to bolster its business operations. This is evidenced by its interest in integrating itself with all the recent changes that have taken place in the technology world such as making social media its primary advertising channel in order to reach a younger and more vibrant generation as opposed to the classic radio and television advertisements that dominated the industry in the past few decades. GBL knows that if it does not keep an eye on technological trends, its business processes could become out-of-date, which could negatively impact its future.

Environmental/Ecological Factors

Environmental factors concern the ecological impacts on business. As weather extremes become more common, businesses need to plan how to adapt to these changes.

In addition to normal laws and regulations, it appears that GBL must keep itself acquainted with environmental laws, regulations, and trends. The fact that the board has agreed to report its carbon footprint annually in its sustainability reports and publish them along with its financial position and performance shows how serious GBL is on its impact on the environment. GBL needs to keep key environmental stakeholders such as climate change activists, pressure groups from the civil society, and regulators in Rwanda abreast of its efforts to be green.

Legal Factors

Legal factors pertain to any legal forces that define what a business can or cannot do.

The business in which GBL operates seems to be highly regulated, which implies that GBL must stay informed and in compliance with laws and regulations if it is to remain in business and out of government spotlight. GBL must comply with pronouncements of Rwanda Alcohol Regulatory Authority (RARA) and other regulations in foreign markets where it exports its products in the region. These range from alcohol advertisements to sale and consumption.

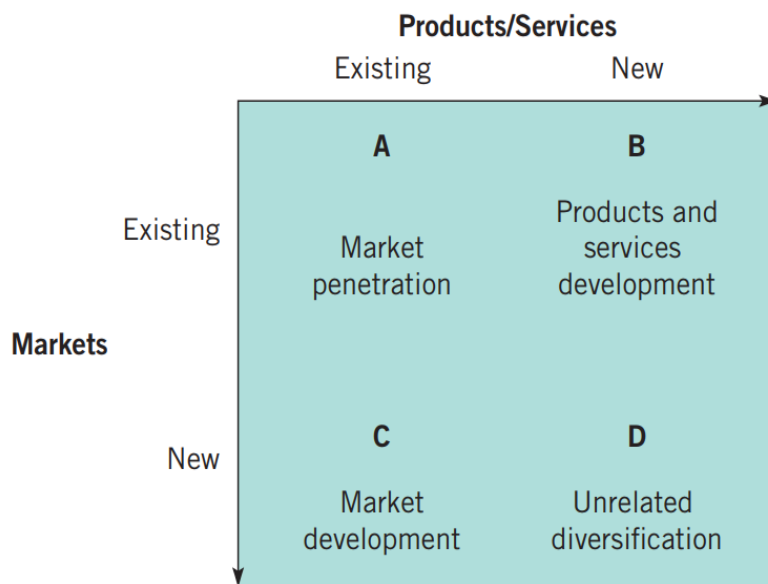
In conclusion, it appears that GBL has a firm grip on the macro-environment surrounding it even if it may not be in control. This understanding will likely help GBL maintain good relationships with external stakeholders, devise appropriate strategies, and stay ahead of its competition.

b) Based on the strategic directions proposed by different groups in GBL's board:

- i. **Using an appropriate corporate growth model, identify and examine the strategic directions proposed by the four board camps.**

From the information provided, the Ansoff Matrix seems to be an appropriate corporate growth model for examining strategic directions proposed by the four board camps of GBL. The Ansoff Matrix (see figure 1.2), also called the Product/Market Expansion Grid, is a tool used by firms to analyse and plan their strategies for growth. The matrix shows four strategies that can be used to help a firm grow and analyses the risk associated with each strategy.

Figure 1.2: The Ansoff Matrix



Market Penetration Strategy

Market penetration implies increasing share of current markets with the current product or service range. This strategy builds on established capabilities and does not require the organisation to venture into uncharted territory. The organisation's scope is exactly the same. Moreover, greater market share implies increased power vis-à-vis buyers and suppliers (in terms of Porter's five forces), greater economies of scale and experience curve benefits.

The first camp of the board suggests this strategic direction. It bases its argument on the fact that the company is faced with rising competition from other companies and, therefore, it should adapt various promotional strategies to boost its current market share. It also argues that the company should build on established capabilities and products to reach more customers. Although these board members believe that this strategic direction will lead to greater power vis-à-vis buyers and suppliers, it should carefully consider the risks associated with it such as exacerbating industry rivalry as other competitors in the market will likely defend their share, concerns from official competition regulators concerning excessive market power, and may also not be an option where

economic constraints are severe, for instance during a market downturn or public-sector funding crisis.

Product and service Development Strategy

Product and service development is where organisations deliver modified or new products (or services) to existing markets. This can involve varying degrees of diversification along the horizontal axis of Figure 2.1.

This strategic direction is proposed by the third camp which clearly disagrees with other board members and proposes that GBL can only progress by inventing more innovative beverages that both create a strategic buffer and capture the hearts of the younger generation. As it would be expected, this section of the board raises an important feature of this strategic direction which is investment in research and development to expand of the company's product range. Another reasonable proposition advanced by this camp is that since the company has a strong understanding of their current market, it can innovate great beers, liquors, and wines that meet the current market's taste. Understandably, though, resistance is likely to emerge from the fact that despite the potential for benefits from relatedness, product development can be an expensive and high-risk activity for at least two reasons: it typically involves mastering new processes or technologies that are unfamiliar to the organization and even within fairly familiar domains, product development projects are typically subject to the risk of delays and increased costs as extension of current strategy focus often leads to growing project complexity and changing project specifications over time.

Market Development Strategy

In a market development strategy, the firm enters a new market with its existing product(s). In this context, expanding into new markets may mean expanding into new geographic regions, customer segments, etc.

The second camp advances this strategic direction for the company to pursue. It is suggested by this group of board members that GBL should expand its business operations in Europe, western Africa, and Asia by capitalising on its proprietary technology that it can leverage into new markets. The cornerstone of these members' argument is that since these markets are composed of a bigger middle income customer base, the company is likely to raise its profitability by boosting demand. As great as these reasons, it is important for this camp as well as the wider board to consider that strategies based on simply offloading traditional products or services in new markets are likely to fail and because GBL lacks the right marketing skills and brands to make progress in markets with unfamiliar customers, this strategic direction may turn out to be tricky.

Diversification Strategy

In a diversification strategy, the firm enters a new market with a new product. Although such a strategy is the riskiest, as both market and product development are required, the risk can be mitigated somewhat through related diversification.

This strategic direction is backed by the fourth board camp, which proposes that strategies suggested by camps two and three should be combined. This board seems to take a centralist model. It believes that value can be created at the strategic level as GBL could benefit from being part of a larger group: consumers may have greater confidence in the business unit's products and services than before, and a larger organisation can reduce the costs of finance. This strategic direction can lead to success but many companies that have pursued it have usually come to realise that investing in market segments will demand new skill sets and loss of strategic focus. Some board members have picked up these concerns already.

ii. Advise the board on the best strategic option to pursue and why.

Since there is no indication of a requirement to pursue a single strategic direction, GBL could pursue any (or a combination) of the above. The most important factor for the board to consider is being aware of the bottlenecks associated with each of the strategic directions.

For instance, the proposition to explore newer markets (market penetration) is a reasonable one, perhaps by initially exporting and then gradually setting up firmer shops with time. GBL needs to carefully study each strategic option and choose what presents the best value to the company.

Regardless of the direction selected by GBL, the company should develop a plan that mirrors its vision and mission; set periodic realistic goals which could be divided into short-term, medium-term, and long-term; deploy appropriate resources towards achievement of the strategy; and devise appropriate evaluation mechanisms to track and measure the company's performance towards the achievement of the strategic direction(s).

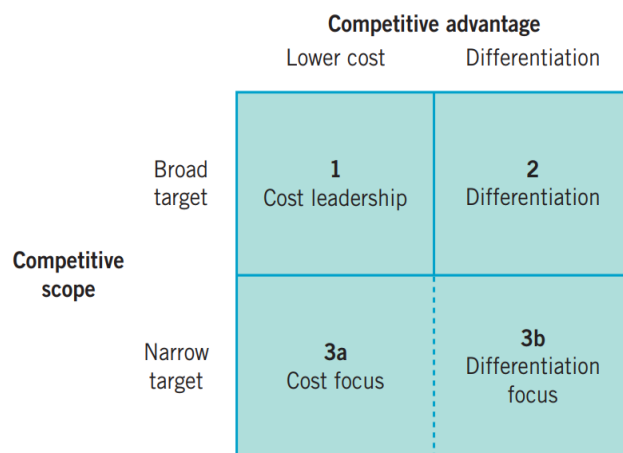
c) With reference to generic competitive strategies, demonstrate how GBL can achieve competitive advantage over its competitors in the alcohol industry as proposed by a section of the board.

Competitive strategy is concerned with how a company, business unit or organisation achieves competitive advantage in its domain of activity. Competitive strategy therefore involves issues such as costs, product and service features, and branding. In turn, competitive advantage is about how a company, business unit or organisation creates value for its users both greater than the costs of supplying them and superior to that of rivals. Competitive advantages should underpin competitive strategies. In the absence of a competitive advantage, an organisation's competitive strategy is always vulnerable to competitors with better products or offering lower prices.

As suggested above, GBL can fundamentally achieve competitive advantage in two ways. It can have structurally lower *costs* than its competitors. Or it can have products or services that are *differentiated* from competitors' products or services in ways that are so valued by customers that it can charge higher prices that cover the additional costs of the differentiation. In defining competitive strategies, Michael Porter adds a further dimension based on the *scope* of customers that the business chooses to serve. GBL can choose to focus on narrow customer segments, for example a particular demographic group such as the youth market as suggested in the case. Alternatively, it can adopt a broad scope, targeting customers across a range of characteristics such as age, wealth, or geography.

Porter's distinctions between cost, differentiation and scope define a set of 'generic' strategies: in other words, basic types of strategy that hold across many kinds of business situations. These three generic strategies are illustrated in Figure 1.3.

Figure 1.3: Generic Competitive Strategies



Cost leadership strategy

Cost-leadership strategy involves becoming the systematically lowest-cost organization in a domain of activity.

In 2020, it was announced in a press conference aired on state television that GBL performed well partly due lower operating costs, and this resulted in its pre-tax profit more than doubling to FRW 14 billion. GBL could choose to pursue this strategy more widely on its products by seeking competitive advantage through locating their labour-intensive operations in countries with low labour costs, cutting fixed costs through economies of scale, and achieving cost efficiency through experience and/or product/process design optimization.

Differentiation strategy

The principal alternative to cost leadership is differentiation. Differentiation strategy involves uniqueness along some dimension that is sufficiently valued by customers to allow a price premium.

GBL could add value to users of its products by considering various aspects which include offering better product and service attributes which can provide better or unique features than comparable products or services for the customer. For instance, this can be through better stylish beer bottles among others. Besides more tangible differences in product and service characteristics differentiation can rely on the relationship between the organisation providing the product and the customer. This often relates to how the product is perceived by the customer. The perceived value can increase through customer services and responsiveness. This can include distribution services to customers' homes or parties, payment services by mobile money and other cashless payment methods that have gained popularity or after sales services, among other things.

Differentiation can also build on linkages to other products or services. The perceived value of some products can be significantly enhanced when consumed together with other product or service complements compared to consuming the product alone. Obviously, this can be achieved by selling beer, liquors, and wines in bundles to consumers.

Focus strategy

Porter distinguishes focus as the third generic strategy, based on competitive scope. A focus strategy targets a narrow segment or domain of activity and tailors its products or services to the needs of that specific segment to the exclusion of others. Focus strategies come in two variants, according to the underlying sources of competitive advantage, cost or differentiation.

GBL could achieve competitive advantage by dedicating itself to serving its target segments better than others that are trying to cover a wider range of segments. Serving a broad range of segments can bring disadvantages in terms of coordination, compromise, or inflexibility. Focus strategies are, therefore, able to seek out the weak spots of broad cost-leaders and differentiators. GBL could achieve cost focus by identifying areas where broader cost-based strategies fail because of the added costs of trying to satisfy a wide range of needs whereas it could achieve differentiation focus by look for specific needs that broader differentiators do not serve so well.

GBL should understand that successful focus strategies depend on at least one of three key factors: distinct segment needs, distinct segment value chains, and viable segment economics.

In conclusion, GBL could implement a combination of the three competitive strategies as long as it has sufficiently studied what it takes and it is prepared for it.

SECTION B

QUESTION TWO

Marking Guide

Qn	Description	Marks	Total Marks
a (i)	GANTT chart: A good answer should have a short introduction of GANTT charts followed by the illustration. Clarity and neatness matters. A short introduction/description of what GANTT charts are and their purpose or how they work	1	
	Task A (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task B (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task C (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task D (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task E (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task F (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task G (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	Task H (1 mark awarded for a correct shade/arrow/line along the horizontal axis for the correct dates)	1	
	A correctly labelled vertical axis with a minimum of the task, start and end dates. More labels such as duration are encouraged but not awarded extra marks	0.5	
	A correctly labelled horizontal axis with dates from the start to end dates (12 January until 29 January)	0.5	10
a (ii)	Advice to management: A correct project duration of 18 days	1	
	A correct project end date of 29 January 20X2	1	2
b	Kurt Lewin Force Field Analysis: Alternative illustrations are allowed as long as they are in an acceptable format of two forces (for and against) facing each other along with corresponding scores either plotted horizontally or vertically		

Qn	Description	Marks	Total Marks
	A short introduction/description of what the Kurt Lewin Force Field Analysis is and its purpose or how it works. No penalty for missing the year in which it was invented	1	
	Each force for the change (an alternative relevant name is allowed) plotted on the correct side with a correct corresponding arrow/line/score. No marks for a reason with no arrow/line/score 5 forces for change * 0.5 = 2.5 marks maximum	2.5	
	Each force against the change (an alternative relevant name is allowed) plotted on the correct side with a correct corresponding arrow/line/score. No marks for a reason with no arrow/line/score 5 forces against change * 0.5 = 2.5 marks maximum	2.5	
	A correct project goal (development of a software) illustrated either in the middle or on top/bottom of the diagram	1	
	A correct total score of forces for change of 12. May be plotted at the bottom or on top	0.5	
	A correct total score of forces against change of 12. May be plotted at the bottom or on top	0.5	
	A correct advice of proceeding with the change with a correct justification of forces for scoring more than forces against. A correct answer with no justification is awarded 1 mark	2	10
c	Leadership roles of KML's strategy implementer: Each role must be explained sufficiently and linked to KLM in one way or the other Any 3 roles * 1 mark = Maximum of 3 marks Unexplained roles are awarded 0.5 marks Other leadership roles provided and explained by candidates are considered.		3
	Total Marks		<u>25</u>

Detailed Answer

Kamikazi Mining Ltd (KML)

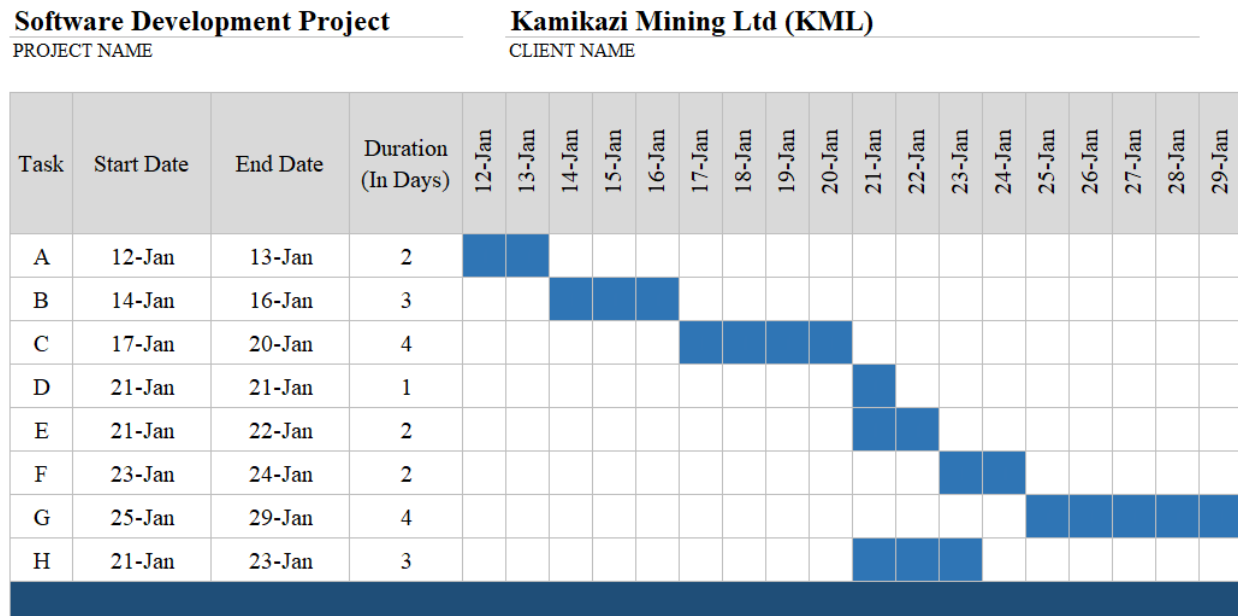
a) Using the provided project information:

i. Illustrate the project tasks using an appropriate GANTT chart.

GANTT charts display the tasks in a project as a box or line showing the calendar duration of the task on the horizontal axis (the horizontal length of the task box is proportional to the task duration). Tasks are normally arranged in date order on the vertical axis. The time relation of all tasks to each other (for example, tasks carried out simultaneously) is therefore clearly apparent in a GANTT chart. The project status can be easily determined at intermediate dates in the project, and progress of individual tasks can be shown by filling in the task boxes.

Figure 2.1 below shows the tasks, dependencies, and estimated times KML's project manager will input to the GANTT chart for the software development project:

Figure 2.1: KML's software development GANTT chart



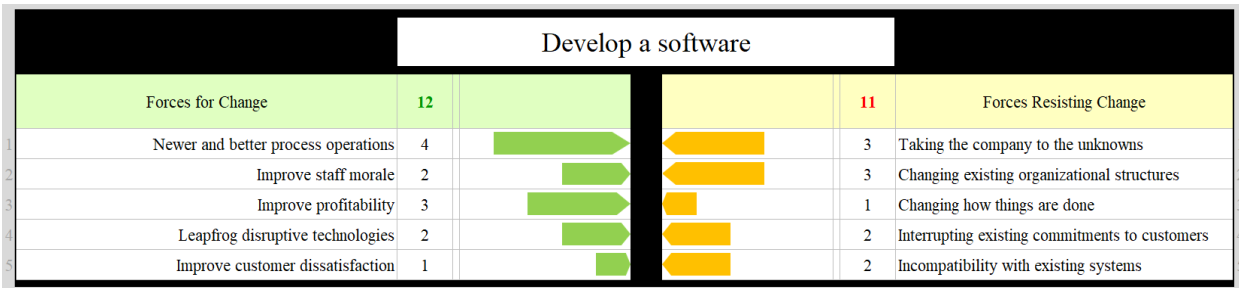
ii. Advise management on how long the project will take and the last project date.

From the GANNT chart in figure 2.1, the project start date is 12 January 20X2 and the project end date is 29 January 20X2. The project will last for 18 days obtained by subtracting the end date from the start date.

b) Illustrate the forces for and against the proposed change using the Kurt Lewin Force Field Analysis and advise whether the change should be implemented or not.

Force Field Analysis was created by Kurt Lewin in the 1940s. Lewin originally used it in his work as a social psychologist. Today, however, it is also used in business, for making and communicating go/no-go decisions. The idea behind Force Field Analysis is that situations are maintained by an equilibrium between forces that drive change and others that resist change, as shown in Figure 2.2 below. For change to happen, the driving forces must be strengthened, or the resisting forces weakened.

Figure 2.2: Force Field Analysis for KML



As illustrated in figure 2.2, forces for change score 12 in total and those against the change score 11 along the Kurt Lewin Force Field Analysis. Basically, the decision would be to proceed with the project, the development of the software. However, management should consider opposing factors and how they can be addressed to improve the chances of the project being successfully implemented.

c) Explain leadership roles of KML's strategy implementer.

Implementing corporate strategy requires a team effort headed by the organization's leadership team. Each person involved in change management has their responsibilities, and it is important for the entire organization to understand the role of leadership in strategic implementation to make delegating responsibility more effective. Ideally, senior managers need to create a companywide crusade to implement and execute the chosen strategy as fast and effectively as possible.

The following are some of the leadership roles of the KML's strategy implementer:

Involvement

KML's leaders should stay on top of what is happening and closely monitor progress. Strategic implementation of any kind of new company policy or program requires participation from all of the departments that will be affected. KML's leadership needs to identify what those departments are and create an implementation team that consists of representatives from each affected group. Management needs to create a structure that identifies various group leaders, the responsibilities of those group leaders and an accountability system that ensures that the implementation team meets its timetable for getting the new program or policy in place.

Interest and a sense of urgency

KML's leadership needs to put constructive pressure on the organization to execute the strategy well and achieve operating excellence. Implementing change or any new strategy within a company requires a feeling of urgency on the part of the entire company. It is the job of KML's management to create that urgency by explaining to the staff why the implementation is necessary. The leadership of KML needs to help the employees understand how the company benefits from the new implementation, but it also needs to get the organization to see the setbacks of not making a change.

Monitoring

A key role of the KML's leadership is initiating corrective actions to improve strategy execution and achieve the targeted performance results. Strategic implementation within a company is not an exact process. It is a dynamic procedure that needs to be monitored by management and altered to meet implementation goals. It is the responsibility of KML's leadership to put a monitoring system in place, analyze the data that is being generated during the implementation and make any necessary changes to make the implementation more efficient.

Manage Change effectively

The leadership of KML must keep firm responsive to changing conditions. Change in an organization leads to many positive aspects – that lead to retaining a competitive edge and also remaining relevant in the business area. Change encourages innovation, develops skills, develops staff, and leads to better business opportunities, and improves staff morale. KML stands to benefit from the aforementioned should the leadership manage change effectively.

Ethical leadership

The leadership of KML should exercise ethical leadership. Ethical leadership creates an environment where the goals and values of people working in the organization align with its mission.

Transition through phases

Implementing a corporate strategy or change is often done in phases. KML's leadership needs to be able to identify when each phase of a strategic implementation is complete and be ready to transition the company to the next phase. For example, as KML is bringing in a new software program for customer management, then the first phase of the program may be to implement it in the sales department. Management of KML needs to identify when the proper alterations to the software have been made that will allow it to be implemented in other parts of the company.

QUESTION THREE

Marking guide

Qn	Description	Marks	Total Marks
a	The KBL's cultural web examination: The answer should explain what a cultural web is and aspects of the KBL culture match with each element of the cultural web. Please note that not all examples in the case have been included in the answer. Other examples should be considered. A short introduction/description of what cultural web is and its purpose or how it works	1	
	Rituals and routines (1 mark awarded for a correct description of Rituals and routines and 1 mark (0.5 * 2 examples = 1 mark) for indicating correct Rituals and routines in KBL)	2	
	Stories (1 mark awarded for a correct description of Stories and 1 mark (0.5 * 2 examples = 1 mark) for indicating correct Stories in KBL)	2	
	Symbols (1 mark awarded for a correct description of Symbols and 1 mark (0.5 * 2 examples = 1 mark) for indicating correct Symbols in KBL)	2	
	Power Structures (1 mark awarded for a correct description of Power Structures and 1 mark (0.5 * 2 examples = 1 mark) for indicating correct Power Structures in KBL)	2	
	Organisational structures (1 mark awarded for a correct description of Organisational structures and 1 mark (0.5 * 2 examples = 1 mark) for indicating correct Organisational structures in KBL). Organisational structures explained in words and not chart are awarded full marks.	2	
	Control systems (1 mark awarded for a correct description of Control systems and 1 mark (0.5 * 2 examples = 1 mark) for indicating correct Control systems in KBL)	2	
	A valid diagram/illustration of the cultural web. Examples illustrated in the cultural web are not awarded extra marks and not penalised.	1	14
b	KBL's IT strategy: The discussion should highlight a reason suggested by Professor Earl's IT Strategy model (there are nine reasons) complimented by how it applies to KBL Since there are nine reasons, award marks for only five reasons maximum. No penalty for additional reasons provided by candidates but no extra marks as well Any five reasons for an IT Strategy (0.5 marks is awarded for a correct Professor Earl's IT Strategy model reason and 0.5 marks are awarded for a correct discussion/application to KBL)		5

c KBL's balanced scorecard:	
A minimum of 1 goal/objective and 1 measure should be provided for each perspective. Although targets are encouraged, no additional marks are awarded for them	
A short introduction/description of what balanced scorecard is and its purpose or how it works	1
Financial Perspective (0.5 marks awarded for any 1 correct objective/goal and 0.5 marks awarded for any 1 correct measure of the objective)	1
Internal Business Perspective (0.5 marks awarded for any 1 correct objective/goal and 0.5 marks awarded for any 1 correct measure of the objective)	1
Customer Perspective (0.5 marks awarded for any 1 correct objective/goal and 0.5 marks awarded for any 1 correct measure of the objective)	1
Learning and Growth Perspective (0.5 marks awarded for any 1 correct objective/goal and 0.5 marks awarded for any 1 correct measure of the objective)	1
A valid diagram/illustration of the balanced scorecard. A diagram that does not include a provision for goal/objective and measure for each perspective is awarded 0.5 marks	1
Total Marks	<u>6</u>
	<u>25</u>

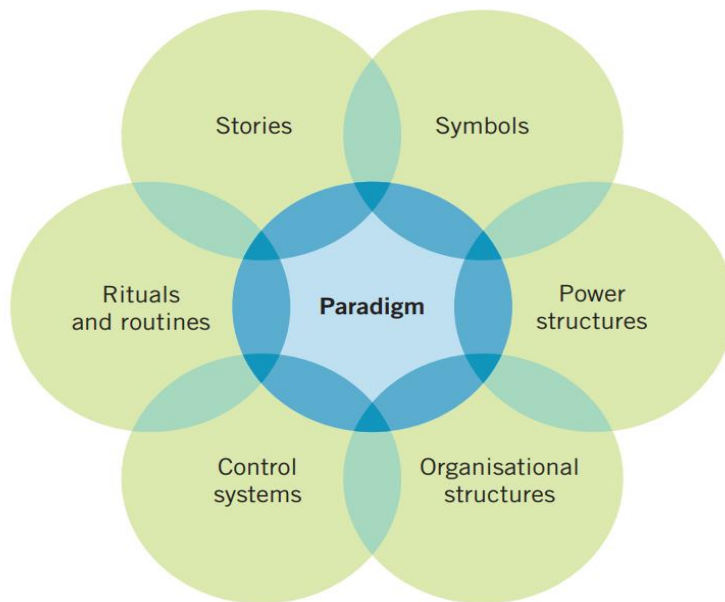
Detailed answer

Kira Bank Limited (KBL)

a) Apply the cultural web to analyse KBL's culture.

In order to understand the existing culture and its effects it is important to be able to analyse an organisation's culture. The cultural web is a means of doing this (see Figure 3.1). The cultural web shows the behavioural, physical, and symbolic manifestations of a culture that inform and are informed by the taken-for-granted assumptions, or paradigm, of an organisation.

Figure 3.1: The cultural web



Rituals and routines

Rituals and routines point to the repetitive nature of organisational cultures. Routines refer to ‘the way we do things around here’ on a day-to-day basis. At their best, routines lubricate the working of the organisation, and may provide a basis for distinctive organisational capabilities. However, they can also represent a taken-for-granted about how things should happen which, again, can guide how people deal with situations and be difficult to change.

Some of the routines and rituals practiced by KBL include: turning in their weekly call planner with all the calls they have scheduled for next week by the close of business on Friday, conducting weekly sales meetings every Monday at 8.30 am, and reviewing relationship plans on all of key customers and key prospects with their Sales Managers twice a year, among others. These routines and rituals help them achieve the bank’s targets.

Stories

The stories told by members of an organisation to each other, to outsiders, to new recruits, and so on, may act to embed the present in its organisational history and also flag up important events and personalities. They typically have to do with successes, disasters, heroes, villains, and mavericks (who deviate from the norm). They can be a way of letting people know what is conventionally important in an organisation.

It is possible that for anyone interested KBL would be welcomed by the story of its creation in 1970 in Kigali by Mr Ramba Francis and its transformation into a commercial bank in 1980. Other stories synonymous with KBL are Mr Francis’ spectacular journey from being a waiter in a downtown restaurant in town to a renowned business man, the knowledge eavesdropped from a couple of Belgians and his brother who lived in the United States of America, and the appeal to his four friends at the University.

Symbols

Symbols are objects, events, acts or people that convey, maintain, or create meaning over and above their functional purpose.

At the entrance of KBL, there is ‘a glowing and spectacular’ statue of Mr Ramba Francis that allows all staff and customers to get to know the great founder of a company changing lives. This is a symbol glorified by KBL of its founder that seems to create meaning and inspire new staff and customers alike. Further, every year, the company organises and hosts a mega event to celebrate Mr Francis and his co-founders’ lives and to renew their commitments to keep their dreams alive. This is an example of a symbol.

Power Structures

Power can be defined as the ability of individuals or groups to persuade, induce, or coerce others into following certain courses of action. So, power structures are distributions of power to groups of people in an organisation. The most powerful individuals or groups are likely to be closely associated with the paradigm and long-established ways of doing things.

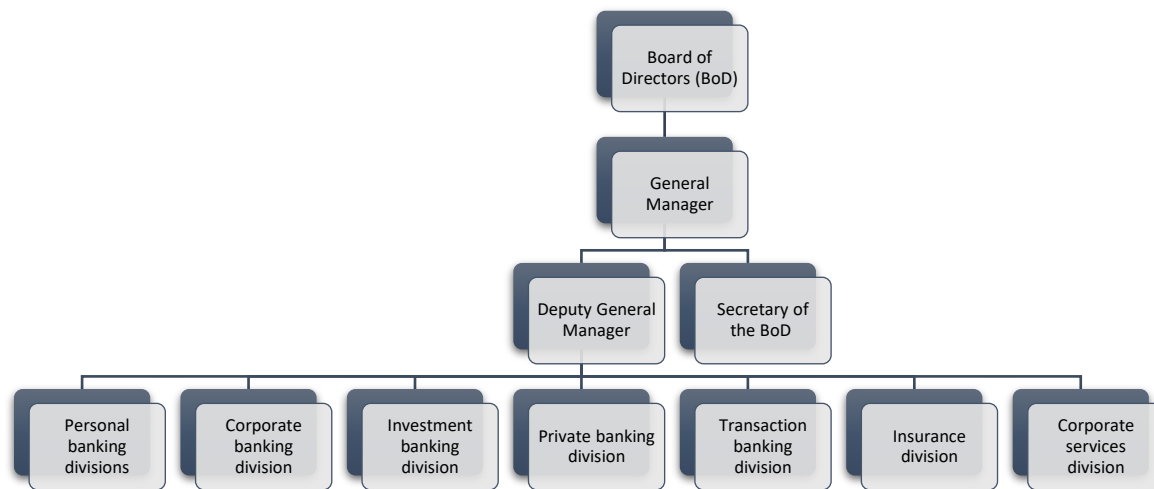
The BoD has the highest power since it has the ultimate responsibility for the bank's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, and risk management and compliance obligations. Below it, the general management has power of what happens in the bank on the day-to-day basis. Power seems to be cascaded down the organizational structure in the bank.

Organisational structures

Organisational structures are the roles, responsibilities and reporting relationships in organisations. These are likely to reflect power structures and how they manifest themselves. Formal hierarchical and mechanistic structures may emphasise that strategy is the province of top managers and everyone else is ‘working to orders’. Structures with less emphasis on formal reporting relationships might indicate more participative strategy making.

KBL has a functional organisational structure that guarantees an adequate level of control and also assures suitable segregation of functions. Figure 3.2 below demonstrates KBL’s organizational structure:

Figure 3.2: KBL's organizational structure



The BoD has responsibility for approving and periodically reviewing the overall business strategies and significant policies of the bank; understanding the major risks run by the bank, setting acceptable levels for those risks, and ensuring that senior management takes the necessary steps to identify, measure, monitor and control those risks; approving the organisational structure; and ensuring that senior management is monitoring the effectiveness of the internal control system.

Control systems

Control systems are the formal and informal ways of monitoring and supporting people within and around an organisation and tend to emphasise what is seen to be important in the organisation. They include measurements and reward systems.

KBL seems to have an effective internal control system which ensures that material risks that could adversely affect the achievement of the bank's goals are being recognised and continually assessed. The bank also has a risk assessment section which ensures that all risks facing the bank are identified and mitigated. The fact that internal controls are regularly revised to appropriately address any new or previously uncontrolled risks shows how serious KBL is when it comes to risk assessment and mitigation. Some control activities designed and implemented by KBL include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorisations; and, a system of verification and reconciliation.

b) Discuss why KBL should have an IT strategy if it is to remain relevant in the market.

Note: Your answer should be based on the Professor Earl's IT Strategy model.

An IT strategy is an integral part of a business strategy that aims to align technology and operations with business goals. It clearly sets goals and objectives for how those technologies will be implemented and used, as well as articulates how the technology strategy supports key business objectives. By having this strategy in place, everyone within KBL will know and understand that as business needs change, technology must evolve as well. An IT strategy is also likely to enable KBL's business outcomes, competitive differentiation, and customer value.

Professor Earl of the London School of Economics provides a useful list of nine reasons as to why a company should have an IT strategy. The following is a demonstration of these nine reasons and how they are applicable to KBL:

1. **IT involves high costs:** Effective and useful IT requires investment by KBL. The bank will have to invest in proper hardware such as IT equipment for computers, laptops, servers or other network hardware; software such as purchasing software solutions, licensing, and subscriptions; operational costs solutions that improve efficiency, enable integration, automation, improve decision making, and better collaboration allow bank staff to reduce manual tasks and focus on more revenue-generating activities; training and education; and support. All these can be expensive to KBL. The bank, therefore, needs to consider such costs in its IT strategy.
2. **IT is critical to the success of many organisations:** Information technology (IT) is increasingly becoming an invaluable and powerful tool driving development, supporting growth, promoting innovation, and enhancing competitiveness. There are many examples of information-technology applications that may have helped KBL transform its business. For example, automated teller machine (ATM) technology adoption has increased community efficiency, which led to a reduction in costs, improvement of quality, and increase in the added value to customers. IT could also enable sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and could help KBL to reach geographically distant and diversified markets. Internet has significantly influenced delivery channels of the banks.
3. **IT is now used as part of the commercial strategy in the battle for competitive advantage:** The constant changes in business environments, the IT revolution and the scientific and technological advancements are the main reasons which led business organisations to pay attention to the competitive advantage and reconsider their competitive status. Accordingly, KBL management needs to enhance its understanding of the importance of IT, alongside other means, as an essential tool for achieving and supporting competitive advantage through cutting costs, improving quality and boosting productivity.
4. **IT is required by the economic context (from a macro-economic point of view):** Although this may not necessarily be directly linked to KBL, IT can help reduce costs, streamline processes, and increase efficiency. The main impacts of information technology

on the economy are e-commerce, marketing tactics, facilitation of globalization, job insecurity, and job design. Besides, an effective economy creates win-win conditions for businesses and individuals.

5. **IT affects all levels of management:** Technology can improve the accuracy of planning in KBL's management by providing the bank's managers with the data they need to make effective decisions. Technology solutions gather data from internal and external sources, store them in a data warehouse and provide managers with access via a network.
 6. **IT has meant a revolution in the way information is created and presented to management:** Related to the above, KBL stands to benefit from adoption to good IT systems in areas of analytics and data analysis which could enhance decision making.
 7. **IT involves many stakeholders, not just management, and not just within the organization:** Using various technologically enabled ways such as emails and email lists, online groups, video conferences, and others, it would be easy for KBL to engage more stakeholders using technology than it would otherwise.
 8. **The detailed technical issues in IT are important:** KBL should keep an eye on technical issues in IT to ensure it minimizes some of the dangers of using IT. Some issues include hacks, data security, and data integrity. An IT strategy that has no consideration of these issues would be a weak and incomplete one.
 9. **IT requires effective management, as this can make a real difference to successful IT use:** Finally, KBL should ensure it both hires and trains competent IT personnel to ensure effective management is at the heart of its IT strategy if it is to be successful. Effective management refers to the extent to which managers achieve their targets with the assistance of organisational resources.
- c) **As a Business Performance Manager, conduct KBL's balanced scorecard clearly indicating how the bank should monitor results in four perspectives simultaneously to prevent the dominance of a single perspective. *Note: You are encouraged to make and clearly indicate any necessary assumptions in a tabular format.***

A balanced scorecard (BSC) is a performance metric used to identify, improve, and control a business's various functions and resulting outcomes. The concept of BSCs was first introduced in 1992 by David Norton and Robert Kaplan, who took previous metric performance measures and adapted them to include nonfinancial information. The balanced scorecard involves measuring four main aspects of a business:

1. **Learning and growth** are analyzed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees use that information to convert it to a competitive advantage within the industry.

2. **Business processes** are evaluated by investigating how well products are manufactured. Operational management is analyzed to track any gaps, delays, bottlenecks, shortages, or waste.
3. **Customer perspectives** are collected to gauge customer satisfaction with the quality, price, and availability of products or services. Customers provide feedback about their satisfaction with current products.
4. **Financial data**, such as sales, expenditures, and income are used to understand financial performance. These financial metrics may include dollar amounts, financial ratios, budget variances, or income targets.

As a Business Performance Manager, I believe the BSC will allow KBL to pool information in a single report, to provide information into service and quality in addition to financial performance, and to help improve efficiencies. Figure 3.3 below illustrates a typical BSC:

Figure 3.3: Balanced Scorecard

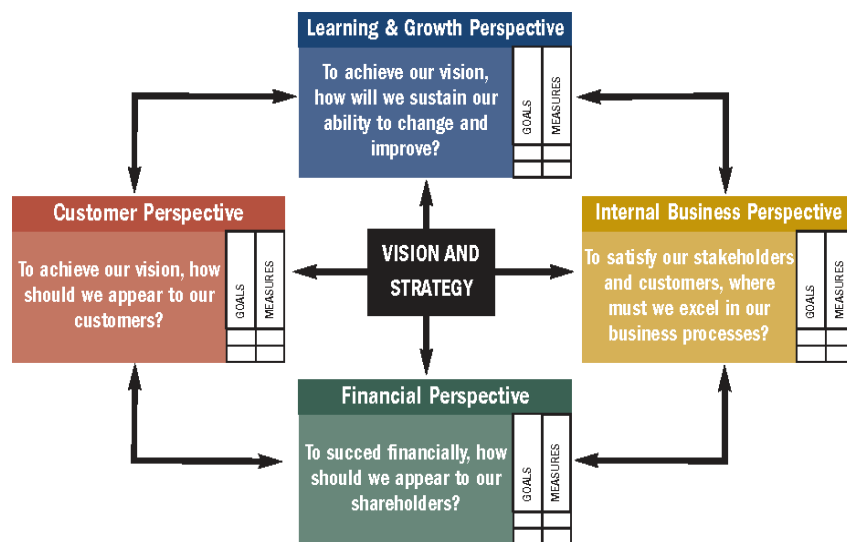


Table 3.1 below demonstrates KBL's BSC:

Table 3.1: KBL's Balanced Scorecard

	Objectives	Measures	Target
Financial Perspective	<ul style="list-style-type: none"> Survival of the bank Growth prospects of the bank Stakeholder satisfaction Revenue development 	<ul style="list-style-type: none"> Liquidity ratio Return on investment Return on equity Profit margin Leverage ratio 	<ul style="list-style-type: none"> 40% 12% 350% FRW 150 billion 120%-300%
Internal Business Perspective	<ul style="list-style-type: none"> Increase innovations and creativity Improve operational capabilities Improve operational efficiency 	<ul style="list-style-type: none"> Productivity growth Growth of banking services Credit growth Growth in banking software applications Front office employees 	<ul style="list-style-type: none"> 180% 25% 360% 80% 5%
Customer Perspective	<ul style="list-style-type: none"> Customer retention Attract new customers Increase market share and growth 	<ul style="list-style-type: none"> The level of customer satisfaction Customers' growth Growth of current accounts Growth of saving accounts Growth of safety deposits 	<ul style="list-style-type: none"> 2% 110% 175% 55% 90%
Learning and Growth Perspective	<ul style="list-style-type: none"> Improve employees' capabilities Improve employee satisfaction Improve information technology such as applications used at the bank 	<ul style="list-style-type: none"> Employee productivity Employee turnover Growth of the bank's branches Employee participation in development programs Number of employees using IT in their work 	<ul style="list-style-type: none"> FRW 15 million – FRW 50 million 2%-4% 85% 30-90 programs 320-1,500 employees

QUESTION FOUR

Qn	Description	Marks	Total Marks
a	Nyamirambo Park's resource audit: The audit should contain a short description of what resource audit is and a classification of different resources owned by Nyamirambo Park. Other examples not in the model answer but could potentially in the case should be considered. Since no requirement to use a table was provided, answers provided in non-tabular formats should be allowed and awarded marks A short introduction/description of what the resource audit is and its purpose or how it works	1	
	Physical capital/resources (0.5 marks awarded for any 1 correct identified example from the case study. Maximum of 4 examples are awarded marks = 2 Maximum marks awarded)	2	
	Financial capital/resource (1 mark awarded for 1 correct identified example from the case study. Maximum of 1 example is awarded a mark = 1 Maximum mark awarded)	1	
	Human capital/resources (0.5 marks awarded for any 1 correct identified example from the case study. Maximum of 2 examples are awarded marks = 1 Maximum mark awarded)	1	
	Know-how capital/resources (0.5 marks awarded for any 1 correct identified example from the case study. Maximum of 2 examples are awarded marks = 1 Maximum mark awarded)	1	
	Reputational capital/resource (1 mark awarded for 1 correct identified example from the case study. Maximum of 1 example is awarded a mark = 1 Maximum mark awarded)	1	
			7
b	Nyamirambo Park's internal and external factors: Should be presented in a tabular form and answered using the SWOT/TOWS analysis The order of the letters of the SWOT analysis does not matter. For instance, starting with Opportunities followed by any other element should still be allowable A short introduction/description of what the SWOT analysis is and its purpose or how it works	1	
	Strengths (0.5 marks awarded for any 1 correct identified strength from the case study. Maximum of 4 strengths are awarded marks = 2 Maximum marks awarded)	2	
	Weaknesses (0.5 marks awarded for any 1 correct identified weakness from the case study. Maximum of 4 weaknesses are awarded marks = 2 Maximum marks awarded)	2	

Qn	Description	Marks	Total Marks
	Opportunities (0.5 marks awarded for any 1 correct identified opportunity from the case study. Maximum of 4 opportunities are awarded marks = 2 Maximum marks awarded)	2	
	Threats (0.5 marks awarded for any 1 correct identified threat from the case study. Maximum of 2 threats are awarded marks = 1 Maximum mark awarded)	1	8
c	Attack strategic options available for Nyamirambo Park: Candidates may apply the attack strategies differently in the Nyamirambo Park context. Each argument/discussion should be considered for validity		
	A short introduction/description of what Attack Strategies are and how they are often taken against market leaders to claim market dominance or competitive advantage	2	
	Frontal attack (0.5 marks awarded for a correct description of the frontal attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1	
	Flank attack (0.5 marks awarded for a correct description of the flank attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1	
	Encirclement attack (0.5 marks awarded for a correct description of the encirclement attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1	
	Bypass attack (0.5 marks awarded for a correct description of the Bypass attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1	
	Guerrilla attack (0.5 marks awarded for a correct description of the Guerrilla attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1	
	A valid diagram/illustration of the Attack Strategies. Examples illustrated in the Attack Strategies are not awarded extra marks and not penalised. Note that Attack Strategies can be illustrated in many ways. All diagrams provided by candidates should be considered.	2	
	A valid conclusion which either advises Nyamirambo Park on the best attack strategy to pursue or summarises attack strategies or provides any reasonable conclusion	1	10
	Total Marks		<u>25</u>

Detailed answer

Nyamirambo Park

- a) Conduct Nyamirambo Park's resource audit using information provided in the above case.

A resource audit is an attempt to assess the strength of the resources available to the organization. Resource audit is an internal strategic analysis technique used to understand the current state of an organisation's resources and competencies. It helps to identify what the organisation currently has that it can build on and what are the areas that it needs to improve upon. Broadly these resources are categorised into two groups - tangible or hard and intangible or soft. The tangible resources comprise physical, financial, and human capital, whereas the intangible competencies include the reputation and know-how. Table 4.1 shows Nyamirambo Park's resource audit:

Table 4.1: Nyamirambo Park's Resource Audit

	Resource Type	Resource Heads
Tangible	Physical capital	<ul style="list-style-type: none"> • 1,000-acre leading park land located in Nyamirambo town • Outdoor recreational facilities • Low-cost accommodation buildings and related facilities • New gym facilities • Recreational equipment for children • Theatre for local and international tourists • Tea-making facilities
	Financial capital	<ul style="list-style-type: none"> • FRW 500 million loan from a bank
	Human capital	<ul style="list-style-type: none"> • Park and recreation professionals • Mr Gatogo as a founder
Intangible	Know-how	<ul style="list-style-type: none"> • Knowledge possessed by Mr Gatogo • Modern live-streaming software
	Reputation	<ul style="list-style-type: none"> • A reputation for low-cost and quick services

b) Examine Nyamirambo Park's internal and external factors related to its resources, capabilities, and the environment. *Note: You are encouraged to tabulate your answer.*

Internal and external factors related to its resources, capabilities, and the environment can be examined using SWOT analysis. SWOT provides a general summary of the Strengths and Weaknesses explored in an analysis of resources and capabilities and the Opportunities and Threats explored in an analysis of the environment. This analysis can also be useful as a basis for generating strategic options and assessing future courses of action.

The aim is to identify the extent to which strengths and weaknesses are relevant to, or capable of dealing with, the changes taking place in the business environment. Table 4.2 illustrates Nyamirambo Park's SWOT analysis.

Table 4.2: Nyamirambo Park's SWOT analysis

<p>Strengths:</p> <ul style="list-style-type: none"> • Located in a popular tourist region • Big rooms • Large grounds and open areas • Breakfast service to rooms • Good restaurants and take-away nearby • Low prices (but this is also a problem!) • Regular customers (but not very many) • Membership in the local tourist group • Property large enough • Modern live-streaming software for movies • Access to information about the industry • Mr Gatogo acknowledges he has a problem – the first step towards solving it! 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • No television (crucial for the family market) • Bare and unappealing grounds • Initial interest by people who drive in and look but then leave (probably because of the bare grounds) • Location poor in relation to other services, attractions, etc. • No separate restaurant services • Low occupancy compared to other motels • Very little advertising • Only local advertising • Uninspiring motel name • Low rates being charged could be perceived as unappealing
<p>Opportunities:</p> <ul style="list-style-type: none"> • Install televisions immediately 	<p>Threats:</p>

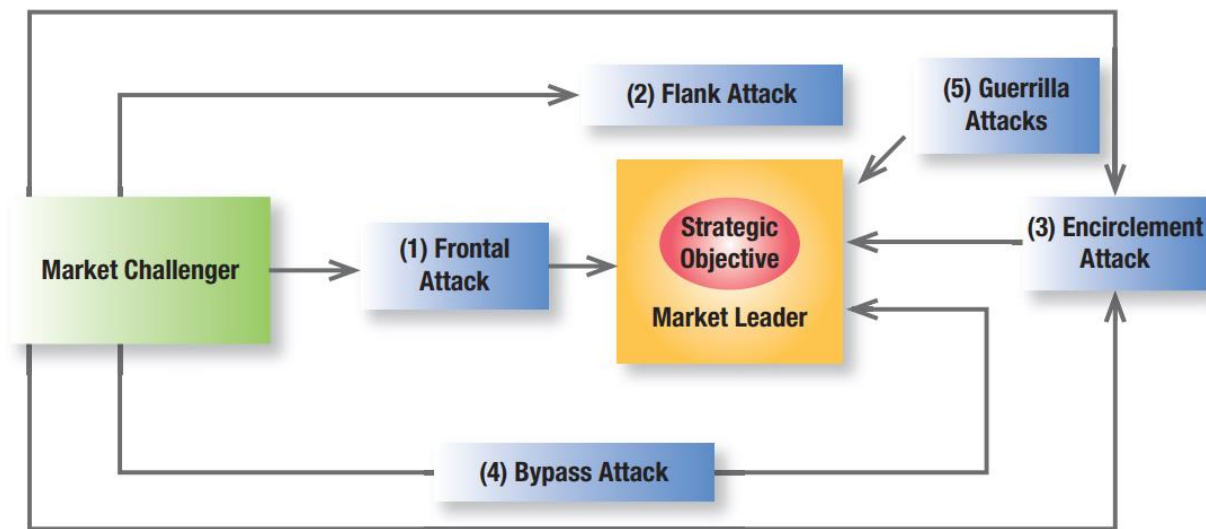
<ul style="list-style-type: none"> • Landscape the grounds and make them more attractive • Add more outdoor facilities – playground, BBQ facilities, perhaps a pool or tennis courts depending on finances • Increase the level of advertising • Increase the rates being charged • Work in with other attractions, restaurants, etc (charge-back facilities with nearby restaurants, for example) • Attend tourist group meetings – do more networking • Add own restaurant or do-it-yourself catering facilities for guests • Investigate other markets 	<ul style="list-style-type: none"> • Potential failure if occupancy doesn't improve • Potential failure if other properties begin cutting rates • Potential problems if other properties begin big promotional campaigns • Potential problems if more budget motels and recreational facilities are built
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c) Discuss different strategies available for Nyamirambo Park to attack market leaders for the achievement of a competitive advantage.

Attack Strategies are proactive and aggressive approaches taken against a particular competitor to achieve market dominance. Often the competitor being challenged is the market leader and the company doing the attacking is a looking to take market share from them. Attack Strategies are usually led by Marketing teams and regarded as a type of marketing strategy.

Nyamirambo Park has five strategic options available to attack market leaders for the achievement of a competitive advantage As Figure 4.1 shows, Nyamirambo Park can distinguish five: frontal, flank, encirclement, bypass, and guerilla attacks.

Figure 4.1: General Attack Strategies



Flank attack.

A flanking strategy is another name for identifying shifts that cause gaps to develop in the market, then rushing to fill the gaps. Flanking is particularly attractive to a challenger with fewer resources and can be more likely to succeed than frontal attacks. Another flanking strategy is to serve uncovered market needs. With a geographic attack, the challenger spots areas where the opponent is underperforming.

Nyamirambo Park could apply this strategy by identifying and developing new services and/or facilities such as playgrounds, BBQ facilities, perhaps a pool or tennis courts among to make the park a go-to destination with a complete set of facilities that leaves no loop for tourists to consider other motels, hotels, and recreational facilities.

Encirclement attack.

Encirclement attempts to capture a wide slice of territory by launching a grand offensive on several fronts. It makes sense when the challenger commands superior resources. It is difficult to defend a position with enough concentrated force and effect when faced with an all-out attack on all sides. Although the challenger may experience short-term losses, the outcome might be significant advances in market share.

Although it seems hard for Nyamirambo Park to apply this attack strategy, it could try it by improving services, developing more facilities, and keeping prices low. All these fronts could prove efficient in attacking the bigger fish in the market.

Bypass attack.

Bypassing the enemy altogether to attack easier markets instead offers three lines of approach: diversifying into unrelated products, diversifying into new geographical markets, and leapfrogging into new technologies. In technological leapfrogging, the challenger patiently researches and develops the next technology, shifting the battleground to its own territory where it has an advantage.

Since Nyamirambo Park's major competitors are likely to be larger hotels, it could consider applying bypassing technique by investing in different unrelated services altogether and avoiding taking on the hotels directly. These could include any non-tourism and non-recreational related services.

Guerrilla attack.

Guerrilla attacks consist of small, intermittent attacks, conventional and unconventional, including selective price cuts, intense promotional blitzes, and occasional legal action, to harass the opponent and eventually secure permanent footholds. A guerrilla campaign can be expensive, though less so than a frontal, encirclement, or flank attack, but it typically must be backed by a stronger attack to beat the opponent.

Given the position of Nyamirambo Park, this attack strategy would be last resort one. With limited resources and most of its equity being held up in debt, it would probably be hard and unnecessarily expensive for Nyamirambo Park to launch Guerrilla attacks against hotels. Nevertheless, the management of Nyamirambo Park should explore it alongside other strategies.

In conclusion, any aspect of the marketing program can serve as the basis for attack, such as lower-priced or discounted products, new or improved products and services, a wider variety of offerings, and innovative distribution strategies. A challenger's/Nyamirambo Park's success depends on combining several, more specific strategies to improve its position over time. Once successful, a challenger brand must retain a challenger mentality even if it becomes a market leader, highlighting the way it does things differently.

End of model answers and marking guide