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

**DATE: MONDAY 24, APRIL 2023**

**MARKING GUIDE AND MODEL ANSWERS**

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**SECTION A**

**QUESTION ONE**

**Hanga Plc:**

**Marking Guide**

<b>Qn</b>	<b>Description</b>	<b>Marks</b>	<b>Total Marks</b>
<b>a</b>	Main characteristics influencing the Twika brand innovation's rate of adoption: The analysis should be robust and be linked to the Hanga Plc context Each factor should have a minimum of a brief explanation/description of what it means and how it relates to Hanga Plc The factors in this model answer are not exhaustive and other valid answers or characteristics should be considered 5 characteristics * 2 marks = 10 maximum marks		
	A short and correct introduction of the Everett Rogers' innovation adoption model	2	
	A mention that Twika brand's adoption rate is high or quick/easy/fast (as long as it is mentioned anywhere in the answer)	1	
	Relative advantage (1 mark for a short description and 1 mark for a discussion of how this factor influences Twika brand's quick adoption)	2	
	Compatibility (1 mark for a short description and 1 mark for a discussion of how this factor influences Twika brand's quick adoption)	2	
	Complexity (1 mark for a short description and 1 mark for a discussion of how this factor influences Twika brand's quick adoption)	2	
	Divisibility (1 mark for a short description and 1 mark for a discussion of how this factor influences Twika brand's quick adoption)	2	
	Communicability (1 mark for a short description and 1 mark for a discussion of how this factor influences Twika brand's quick adoption)	2	
	A valid diagram/illustration of the Everett Rogers' innovation adoption model	2	

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Qn	Description	Marks	Total Marks
b	<p>Potential sources of power for Hanga Plc's stakeholders: The discussion should be based on the stakeholder mapping and discuss various sources of power in a company. Do not award extra marks for separation of 'within the organisation' and 'external stakeholders' sources Each source must be at least briefly described. The sources in this model answer are not exhaustive and other valid answers or sources should be considered 6 sources * 2 marks = 12 maximum marks</p>		
	A short and correct introduction to the stakeholder mapping	2	
	Hierarchy (1 mark for a identifying the source and 1 mark for a short description or discussion of this source in relation)	2	
	Influence (1 mark for a identifying the source and 1 mark for a short description or discussion of this source in relation)	2	
	Possession of knowledge and skills (1 mark for a identifying the source and 1 mark for a short description or discussion of this source in relation)	2	
	Control of the human environment (1 mark for a identifying the source and 1 mark for a short description or discussion of this source in relation)	2	
	Control of strategic resources (1 mark for a identifying the source and 1 mark for a short description or discussion of this source in relation)	2	
	Involvement in strategy implementation (1 mark for a identifying the source and 1 mark for a short description or discussion of this source in relation)	2	
	A valid diagram/illustration of the stakeholder mapping (No additional marks for adding case study data in the diagrams but no penalty as well)	2	
c	<p>A report to the company's board of directors exploring the various international strategies pursued by the company Do not award any marks if a candidate included 'multi-domestic strategy'</p>		
	Presentation (Award 2 marks if the answer has a minimum of addressee, author, correct date, and title. If any of these is missing, award 1 mark and award 0 if no proper presentation)	2	
	Introduction (Award 2 marks if the introduction is explaining global strategies and their usefulness to a company. Award 1 mark if the answer is too short)	2	

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Qn	Description	Marks	Total Marks
	Export strategy (1 mark is awarded to a correct identification of this strategy, 1 mark to a correct discussion of what it is and how it is applicable to Hanga Plc, 1 mark to one correct advantage, and 1 mark to one correct disadvantage)	4	
	Global strategy (1 mark is awarded to a correct identification of this strategy, 1 mark to a correct discussion of what it is and how it is applicable to Hanga Plc, 1 mark to one correct advantage, and 1 mark to one correct disadvantage)	4	
	Transnational strategy (1 mark is awarded to a correct identification of this strategy, 1 mark to a correct discussion of what it is and how it is applicable to Hanga Plc, 1 mark to one correct advantage, and 1 mark to one correct disadvantage)	4	
	A sensible conclusion (any statement or paragraph that correctly summarises a candidate's main report is acceptable)	1	
	A valid diagram/illustration of international strategies	2	19
	<b>Total Marks</b>		<b><u>50</u></b>

### Model Answers

a) With reference to Everett Rogers' innovation adoption model, **examine main characteristics influencing the Twika brand innovation's rate of adoption.**

Adoption is an individual's decision to become a regular user of a product and is followed by the consumer loyalty process. New-product marketers typically aim at early adopters and use the theory of innovation diffusion and consumer adoption to identify them.

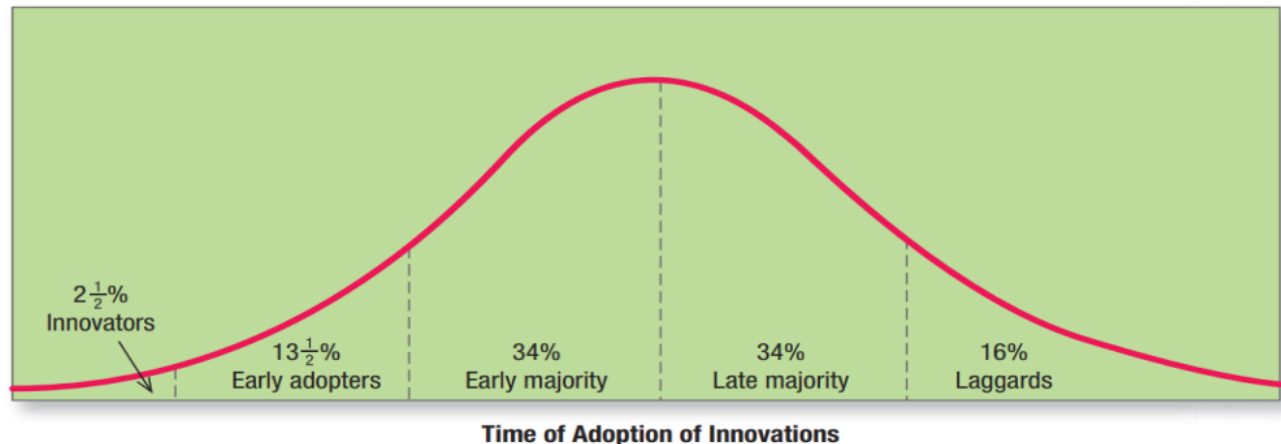
Before a company actually launches a product, it must consider the product life cycle (PLC) and the mental stages purchasers go through before they purchase a new product.

An innovation is any good, service, or idea that someone perceives as new, no matter how long its history. Everett Rogers defines the innovation diffusion process as 'the spread of a new idea from its source of invention or creation to its ultimate users or adopters.' The consumer-adoption process is the mental steps through which an individual passes from first hearing about an innovation to final adoption.

Everett Rogers' innovation adoption model is a theory popularised in Everett Rogers' book *Diffusion of Innovations*. Rogers argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system.

Some people readily accept change; others are slower to respond. According to Rogers these characteristics and readiness to adopt may be categorised into the following five groups, as demonstrated in figure 1.1:

**Figure 1.1: Adopter Categorization on the Basis of Relative Time of Adoption of Innovations**



Some products catch on immediately, whereas others take a long time to gain acceptance. The following is an examination of main characteristics influencing the Twika brand innovation's rate of adoption, which generally appears to be quick:

**Relative advantage:**

The degree to which the innovation appears superior to existing products influences its adoption by customers. The greater the perceived relative advantage of using a product, the more quickly it is adopted. It is evident from the case study that many customers perceive clothes made using Hanga Plc's new technology to be superior to existing clothes which essentially means that Twika brand's adoption is quick and that has been apparent throughout the case study.

**Compatibility:**

The degree to which the innovation matches consumers' values and experiences influences its adoption by customers. It has been suggested that customers love Twika brand because they believe the technology used in producing them is both environmentally friendly and compatible with other existing wardrobe accessories. This explains why Twika brand's adoption is high and quick.

**Complexity:**

The degree to which the innovation is difficult to understand or use also influences its adoption by customers. Twika brand's technology appears to be relatively easy to explain to an average customer compared to other complex technologies. Again, this is evidence to the its quick adoption rate.

**Divisibility:**

The degree to which the innovation can be tried on a limited basis is a key factor in an innovation’s adoption. Hanga Plc gives the opportunity for customers to try clothes on both in their homes for online purchases and in-store before completing payment. This is extremely convenient for customers especially busy moms, professionals, children, and tweens. Of course, this makes Twika brand’s adoption easy and quick due to the convenience associated with this trying on before payment.

**Communicability:**

The degree to which the benefits of use are observable or describable to others is a key contributor to an innovation’s adoption rate. Through its aggressive marketing campaigns, Hanga Plc effectively communicates the various benefits of the Twika brand technology such as environmental friendliness, water resistant fabric, durability, and much more. This seems to accelerate the brand’s adoption rate and makes it easy and quick.

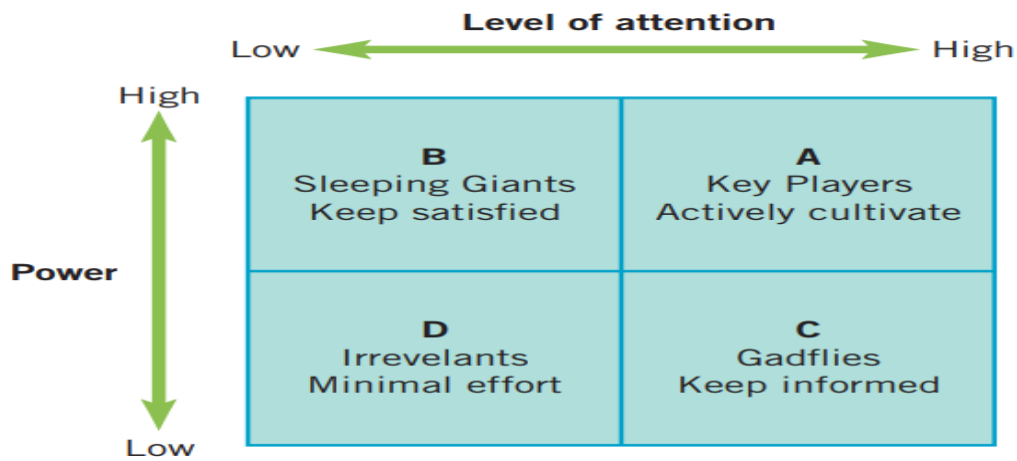
**b) Applying stakeholder mapping, discuss potential sources of power for Hanga Plc’s stakeholders.**

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

It is therefore important to understand the power different stakeholders have and their likely attention to issues. These two dimensions form the basis of the power/attention matrix shown as

Figure 1.2:

**Figure 1.2: Stakeholder mapping: the power/attention matrix**



In designing strategy, it is important to understand which stakeholders are most powerful. For the purposes of this discussion, power is the ability of individuals or groups to persuade, induce or coerce others into following particular strategies. As discussed below, there are different sources of power for Hanga Plc’s stakeholders:

**Hierarchy:** Power can be derived from formal hierarchical structures. Those at the top such as top executives are likely to be more powerful than those at lower levels. This is a formal source of power, and it is often higher in autocratic power structures.

**Influence:** Some Hanga Plc’s stakeholders may have informal influence due to their leadership style, friendships, charisma, and other factors. This is an informal source of power and to be powerful it does not require to be a high ranking official.

**Possession of knowledge and skills:** Some stakeholders of Hanga Plc may be powerful because of special skills. For instance, computer specialists or specialists in using the apple leftovers technology may be powerful in Hanga Plc as result of possession of those skills that may be rare.

**Control of the human environment:** Some stakeholders of Hanga Plc may be powerful due to their good negotiation skills, which implies that they would be able to influence key decisions purely due to their ability to negotiate.

**Control of strategic resources:** Some Hanga Plc such as shareholders will be more powerful than, say, employees because they control key resources such as money. They own the company and hence all major decisions made.

**Involvement in strategy implementation:** Hanga Plc stakeholders such as suppliers are often involved in strategy implementation as alluded to in the CEO’s comments. This confers some level of power to them.

c) Assuming you are a Hanga Plc's strategic Analyst, **draft a report to the company's board of directors critically exploring the various international strategies pursued by the company.**

From: Strategic Analyst, Hanga Plc  
To: Board of Directors (BoD), Hanga Plc  
3 May 2023  
Masoro-Kigali

Dear Ms Kamashazi Shyne,

**Re: Report on various international strategies pursued Hanga Plc**

I refer to your request for management to consider the company's international strategies and advise if they serve the company's grand strategy. You also asked that the findings and recommendations are submitted in a report today ahead of a BoD meeting scheduled for 30 May 2023.

I am pleased to present to you the following findings and recommendations for your kind consideration:

**Introduction:**

In today's global organisations managers attempt to develop coherent strategies to provide synergy among worldwide operations for the purpose of achieving goals.

When a company chooses a strategy of globalisation it means that its product design and advertising strategies are standardised throughout the world.

Given their organisation-specific advantages and the ability to obtain sources of international competitive advantage through geographic home-based factors or international value systems, organisations still face difficult questions about what kind of international strategy to pursue. The fundamental issue in formulating an international strategy is to balance pressures for *global integration* versus those for *local responsiveness*. Pressures for global integration encourage organisations to coordinate their activities across diverse countries to gain efficient operations. The internationalisation drivers discussed above indicate forces that organisations can build on to achieve lower costs and higher quality in operations and activities on a global scale. However, there are conflicting pressures that also encourage organisations to become locally responsive and meet the specific needs in each individual country. Values and attitudes, economics, political institutions, cultures, and laws differ across countries, which imply differences in customer preferences, product and service standards, regulations, and human resources that all need to be addressed. These two opposing pressures – global integration vs. local responsiveness – put



contradictory demands on an organisation's international strategy (see figure 1.3). High pressure for global integration implies an increased need to concentrate and coordinate operations globally. In contrast, high pressure for local responsiveness implies a greater need to disperse operations and adapt to local demand.

This dilemma between global integration and local responsiveness suggests several possible international strategies, ranging from emphasising one of the dimensions to complex responses that try to combine both. Organisations need to assess to what degree there are potential advantages of cost and quality of global integration and balance those pressures against the need to adapt products and/or services to local conditions.

**Figure 1.3: International strategies**



**Hanga Plc's international strategies:**

This section introduces three different kinds of international strategy pursued by Hanga Plc:

**Export strategy**

This strategy leverages home country capabilities, innovations, and products in different foreign countries. Hanga Plc pursues this strategy through its Twika brand as it mainly produces it from Rwanda and exports it across the world. This strategy is advantageous when both pressures for global integration and local responsiveness are low. Since Hanga Plc has distinctive capabilities together with strong reputation through the Twika brand, it makes sense to follow this strategy. The downside of this approach is the limits of a home country centralised view of the business

with risks of skilled local competitors getting ahead. Hanga needs to be continuously aware of the emerging competition and consider new mechanisms of being ahead of it.

### **Global strategy**

This is a strategy that maximises global integration. In this strategy the world is seen as one marketplace with standardised products and services that fully exploits integration and efficiency in operations. All these features are reflected in the case study where Hanga Plc other clothing brands other than Twika are produced from its various factories located in various parts of the world. This is because the company has standardised most of its clothing brands to fully exploit integration and efficiency in operations. The focus is on capturing scale economies and exploiting location economies worldwide with geographically dispersed value chain activities being coordinated and controlled centrally from headquarters. In these respects, this strategy is the exact opposite to the multi-domestic strategy. A global strategy is most beneficial when there are substantial cost or quality efficiency benefits from standardisation and when customer needs are relatively homogeneous across countries, which Hanga Plc obviously benefits from. Based on a strong home base they standardise products and marketing with limited local adaptation to gain maximum global integration efficiency. The drawback of the global strategy is reduced flexibility due to standardisation that limits possibilities to adapt activities and products to local conditions. Hanga Plc needs to be hedge against this drawback.

### **Transnational strategy**

This is the most complex strategy that tries to maximise both responsiveness and integration. Its aim is to unite the key advantages of the multi-domestic and global strategies while minimising their disadvantages. It has been suggested that Hanga Plc sells locally made clothes and exported clothes to maximise both responsiveness and integration. For instance, in Uganda Hanga Plc sells clothes made in Uganda and those imported from Rwanda. This maximises learning and knowledge exchange between dispersed brands. In this strategy products and services and operational activities are, subject to minimum efficiency standards, adapted to local conditions in each country as seen in Uganda. In contrast to the multi-domestic strategy, however, this strategy also leverages learning and innovation across units in different countries. The value chain configuration includes an intricate combination of centralised manufacturing to increase efficiency combined with distributed assembly and local adaptations. Coordination is neither centralised at home nor dispersed in foreign countries, but knowledge flows between units are encouraged from wherever ideas and innovations come from. The major advantage of this strategy is its capacity to support efficiency and effectiveness while at the same time being able to serve local needs and leverage learning across units. However, while it is argued that transnational strategies are becoming increasingly necessary, many firms find it difficult to implement given its complexity and the fundamental trade-off between integration and responsiveness. Hanga Plc needs to carefully consider if this strategy works for it or if it should just standardise all its brands including Twika.

**Conclusion:**

This report has explored the three international strategies pursued by Hanga Plc, their pros and cons, and has suggested recommendations for management. The BoD should offer expert advice to management to ensure that management appropriately manages the company's resources.

Yours sincerely

Strategic Analyst

Hanga Plc

**SECTION B**

**QUESTION TWO**

**Karamuka Electronics Limited (KEL):**

**Marking Guide**

Qn	Description	Marks	Total Marks
a	Factors that potentially give rise to the groupthink phenomenon in KEL's senior management: The factors in this model answer are not exhaustive and other valid answers or factors should be considered 6 characteristics * 2 marks = 12 maximum marks		
	A short and correct introduction/description of what the Irving Janis' groupthink theory is. A description of groupthink is also acceptable. Do not award extra marks if both are provided	1	
	A feeling of invulnerability (1 mark for a short description and 1 mark for evidence of this factor from the case study)	2	
	False logic (1 mark for a short description and 1 mark for evidence of this factor from the case study)	2	
	Shared stereo types (1 mark for a short description and 1 mark for evidence of this factor from the case study)	2	
	Pressure (1 mark for a short description and 1 mark for evidence of this factor from the case study)	2	
	Self-censorship (1 mark for a short description and 1 mark for evidence of this factor from the case study)	2	
	An illusion of agreement or unanimity (1 mark for a short description and 1 mark for evidence of this factor from the case study)	2	

Qn	Description	Marks	Total Marks
b	An email to the BoD discussing key strategic leadership actions you would take to turn the company around: The key strategic leadership actions in this answer model are not exhaustive and other valid answers or key strategic leadership actions should be considered. The model answer has more answers than there's in this marking guide, any 5 valid points are marked Do not award extra marks for diagrams 5 characteristics * 2 marks = 10 maximum marks Presentation (Award 1 mark if the answer has a minimum of addressee or BoD, author or CEO, correct date, and subject. If any of these is missing, award 0.5 marks and award 0 if the answer is not presented in form of an email)	1	
	A short introduction/description. It must at least introduce the reader to what Strategic Leadership is. Other definitions must be considered	1	
	A short explanation of the 'feel' and 'benefit' elements of the model. Award 1 mark for each element	2	
	Determining Strategic Direction (1 mark for a short description and 1 mark for how the CEO would use this action to improve the situation at KEL)	2	
	Exploiting and Maintaining Core Competencies (1 mark for a short description and 1 mark for how the CEO would use this action to improve the situation at KEL)	2	
	Developing Human Capital (1 mark for a short description and 1 mark for how the CEO would use this action to improve the situation at KEL)	2	
	Sustaining an Effective Organisational Culture (1 mark for a short description and 1 mark for how the CEO would use this action to improve the situation at KEL)	2	12
	<b>Total Marks</b>		<b><u>25</u></b>

## Model Answers

a) Using the above case study, **discuss factors that potentially give rise to the groupthink phenomenon in KEL's senior management.** *Hint: Use the Irving Janis' groupthink theory to answer this question.*

Groupthink is what happens when people in a group become so close (or cohesive) that any disagreement between people becomes less and less likely to occur.

The idea of Groupthink occurred to Irving Janis while reading Arthur M. Schlesinger's *A Thousand Days*, particularly the sections on the Bay of Pigs, as a result of this he began questioning group decision making processes. He suggested John F. Kennedy's advisors were more concerned with approval of colleagues than achieving the objectives.

The following are several factors that potentially give rise to the groupthink phenomenon in KEL's senior management, with reference to the Irving Janis' groupthink theory:

**A feeling of invulnerability:** When groups begin to believe their decisions and actions are untouchable or that the group is invincible, they ignore warnings or signs of danger that run contrary to their consensus. This is true for KEL's senior management evidenced by the fact that staff 'suggest that there's a feeling that serious decisions and actions by management are untouchable or that the management is invincible to the extent that they ignore warnings of poor performance'.

**False logic:** In a groupthink phenomenon, groups will try to rationalise their logic even though there is evidence to suggest that their logic is wrong. There is evidenced that KEL's senior management is suffering from this. For instance, staff suggest that the CEO and his team have so much ego that they rationalise their decisions even in the face of obvious warning negative feedback that they receive from staff, the market, and other key stakeholders.

**Shared stereo types:** Groups that experience groupthink can stereo type anyone who criticizes them. People or groups that oppose the group engaging in groupthink may be rendered enemies as well. This results in mislabelling the enemy group as 'stupid' or 'weak' when they may not be. It is noted in the case study that Ms Linda Teta, a department manager, was recently quoted saying 'the CEO and his team think anyone and everyone questioning their decisions is an enemy, hence, mislabelling the enemy group as 'stupid' when they may not be.'

**Pressure:** Individuals within the group who express doubts about decisions of the group may be asked to resign or withdraw from the group. To support the view that KEL's senior management is suffering from this sign too, there's talk of some management members feeling forced to agree

to decisions even when they believe they are irrational. Because they fear being asked to resign, they simply appear supportive of decisions in senior management meetings to protect their jobs.

**Self-censorship:** Members of cohesive groups may be reluctant to communicate anything negative about the group which can result in the group not exploring or analysing what the group is doing. KEL's senior management seems to be experiencing this because some senior management members have quietly been saying that they hold off on raising opinions contrary to the management consensus for fear of judgment from everyone else.

**An illusion of agreement or unanimity:** Often groups become convinced that everyone agrees with the decision of the group and therefore there is no need to explore a particular course of action. Sometimes, the false assumption can be made that if everyone in the group is silent, then everyone must agree with what is being put forth. There's also evidence in the case study that KEL's senior management is experiencing this. Mr Fernandes seems to believe that silence head-nodding in meetings means that everyone agrees with what's being discussed.

b) Assuming you are appointed as KEL's new CEO, **draft an email to the BoD discussing key strategic leadership actions you would take to turn the company around.** *Note: The email shall be sent to the BoD's distribution list on 5 May 2023.*

**From:** Chief Executive Officer (CEO), Karamuka Electronics Limited (KEL)

**To:** The board of Directors (BoD)

5 May 2023

**Subject: Key strategic leadership actions to be taken to turn KEL around**

Dear BoD,

I am grateful for the opportunity to lead this great company's improvement efforts and below is an attempt to explain what I believe should be done to turn this company around as requested:

According to Hoskisson et al. (2004), Strategic Leadership is:

'The managerial ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary'.

Strategic leaders hold the power of influencing people to look at the bigger picture and work towards long-term goals. It gives companies the much-needed advantage over competitors.

Hoskisson et al (2004) identify several activities that effective strategic leaders and top management teams focus on to contribute to the performance of the organisation. These activities are necessarily overlapping and interlinked more so than isolated, independent activities.

**Determining Strategic Direction:** As a CEO of KEL, I would ensure that the senior management team develop a clear vision for the company. The development, articulation and communication of an exciting vision are critical tasks of the strategic leadership of the organisation. I would therefore ensure that we “paint a picture” of where the organisation will be in 5-10 years and get staff to buy into and commit to this future. The vision will seek to push and stretch employees beyond their current expectations. The vision serves as a destination for the organisation and therefore as a guide for strategy formulation and implementation. In addition, the vision propounded by the senior management team should outline the core values and ideology that the organisation intends to “live by”. If it is to have any impact, I would ensure that the vision must be communicated and reinforced throughout the organisation and over time.

**Exploiting and Maintaining Core Competencies:** Core competences can be described as the resources and capabilities of a firm that serve as a source of competitive advantage over its rivals; they are those things the firm has or does that allow it to set itself apart from competitors. As the new CEO, I would ensure that senior management ensure that the KEL’s core competences are maintained, invested in and developed over time to ensure they remain relevant. I understand that there’s a feeling that core competencies are lost. Relatedly, I will ensure that the firm’s competences are part of the building blocks of the competitive strategy of the firm and that they are leveraged effectively in implementing that strategy.

**Developing Human Capital:** In the context of developing human capital, I believe that employees are a capital resource that requires investment. Dear BoD, I think many of you would accept that in the globalised and dynamic competitive environment, ‘people are perhaps the only truly sustainable source of competitive advantage’. I personally believe that building human capital requires investment in training and development and requires that senior management provide the support and budget necessary to make this happen. I understand that new staff have not been trained and I will ensure they are. Human resources management (HRM) activities have a central role in this, but without active support from the senior management in the organisation, such activities will neither have the impetus or budget to be effective.

**Sustaining an Effective Organisational Culture:** A quote attributed to the management writer Peter Drucker, ‘Culture eats strategy for breakfast!’ illustrates the importance of organisational culture. In a sense, organisational culture is the personality of the organisation. Thompson et al, (2007) sees culture as ‘the character of a company’s internal work climate and personality – as shaped by its core values, beliefs, business principles, traditions, ingrained behaviours, work practices, and styles of operating.’ More simply, culture is ‘the way we do things around here...’

I think organisational culture can be a source of competitive advantage and I will ensure that it is developed. It creates the context in which the organisation develops and implements its strategy and helps to regulate employees' actions and attitudes. For example, organisational culture can encourage entrepreneurial activity – or discourage it. If an organisation can build a strong, healthy culture it can be a powerful competitive asset and facilitate strategy implementation.

### **Emphasising Ethical Practices**

The effectiveness of the implementation of a firm's strategies improves when based on strong ethical foundations and in a culture that promotes ethical behaviours. In the absence of such an ethical culture staff and management may act opportunistically, taking advantage of their positions to benefit themselves. I believe this is why KEL is falling apart in the first place. To create and ensure a strong ethical ethos in the organisation, I will ensure that senior management themselves set an excellent ethical example. We will also build a compliance and enforcement process around ethical behaviour.

For example, as senior management, we will:

- Develop and communicate a code of ethics.
- Provide ethics training to employees.
- Form an ethics committee to give guidance on ethics matters.
- Openly encourage employees to report possible infractions.

**Establishing Balanced Organisational Controls:** Organisational controls are a critical element of effective strategy implementation processes. Organisational controls facilitate making reactive and proactive corrective adjustments to strategies as they are implemented. Organisational controls allow senior management to determine when adjustments are needed and what adjustments to make. In light of changing circumstances at KEL, I will ensure that senior management can reshape long-term direction and strategy and intervene to align internal activities and behaviour with strategy.

I believe I have provided sufficient actions to turn KEL around and ensure that it is performing to its full potential.

Best regards

CEO



### QUESTION THREE

#### Hinga Agro-experts Limited (HAL):

#### Marking Guide:

Qn	Description	Marks	Total Marks
a	Evaluation of HAL's announced strategy: The arguments in this model answer are not exhaustive nor the only correct ones and other valid discussions around the same SAFE themes should be considered A short and correct introduction to the SAFE technique. The introduction may summarised in a table or in a narrative format. Both options are acceptable as long as they briefly describe what each element in the SAFE technique means or checks. Award 1 mark if the introduction is inadequate or incomplete Suitability (Award 1 mark for any valid short description of this criteria and 1 mark for any correct assessment as to whether HAL's new strategy meets this criterion or not) Acceptability (Award 1 mark for any valid short description of this criteria and 1 mark for any correct assessment as to whether HAL's new strategy meets this criterion or not) Feasibility (Award 1 mark for any valid short description of this criteria and 1 mark for any correct assessment as to whether HAL's new strategy meets this criterion or not) Evaluation (Award 1 mark for any valid short description of this criteria and 1 mark for any correct assessment as to whether HAL's new strategy meets this criterion or not) A valid conclusion or advice as to whether the announced strategy is likely to succeed or not. Although the likely answer is that it will succeed, any valid justification as to why it will fail should be considered	2	12
b	HAL's key cost drivers that will help deliver its competitive strategy: A short and correct introduction to the Michael Porter's Generic Competitive Strategies Correctly identifying the strategy selected by HAL i.e cost-leadership strategy A short description of the cost-leadership strategy	2 1 1	

Qn	Description	Marks	Total Marks
	Four key cost drivers that will help deliver HAL's cost leadership include (Do not award additional marks for all figures used in explanations. However, if the candidate only used them to answer the question, award 1 mark per diagram):		
	Input costs (Award 1 mark to a short description of this driver and 1 mark to a correct explanation of how HAL would benefit from this driver)	2	
	Economies of scale (Award 1 mark to a short description of this driver and 1 mark to a correct explanation of how HAL would benefit from this driver)	2	
	Experience (Award 1 mark to a short description of this driver and 1 mark to a correct explanation of how HAL would benefit from this driver)	2	
	Product/process design (Award 1 mark to a short description of this driver and 1 mark to a correct explanation of how HAL would benefit from this driver)	2	
	A valid diagram/illustration of the Michael Porter's generic competitive strategy model. No additional marks for a diagram with HAL's data inside the diagram but no penalty as well.	1	13
	<b>Total Marks</b>		<b><u>25</u></b>

## Model Answers

a) With help of the suitability, acceptability, feasibility, and evaluation (SAFE) technique, **evaluate HAL's announced strategy and advise if it is likely to succeed or not.**

Strategic options or possible new initiatives are evaluated using the SAFE criteria of suitability, acceptability, feasibility, and evaluation. See Table 3.1 for a summary of the SAFE technique.

**Table 3.1: The SAFE criteria and key questions**

<b>Suitability</b>	<ul style="list-style-type: none"><li>• Does a proposed strategy address the key opportunities and threats an organisation faces?</li></ul>
<b>Acceptability</b>	<ul style="list-style-type: none"><li>• Does a proposed strategy meet the expectations of stakeholders?<ul style="list-style-type: none"><li>• Is the level of risk acceptable?</li><li>• Is the likely return acceptable?</li><li>• Will stakeholder reactions be positive?</li></ul></li></ul>
<b>Feasibility</b>	<ul style="list-style-type: none"><li>• Would a proposed strategy work in practice?<ul style="list-style-type: none"><li>• Can the strategy be financed?</li><li>• Do people and their skills exist or can they be obtained?</li><li>• Can the required resources be obtained and integrated?</li></ul></li></ul>
<b>Evaluation</b>	<ul style="list-style-type: none"><li>• Which of the strategies that are suitable, acceptable and feasible satisfies best these three requirements?</li></ul>

### **Suitability:**

Suitability is concerned with assessing which proposed strategies address the key opportunities and threats an organisation faces through an understanding of the strategic position of an organisation: it is therefore concerned with the overall rationale of a strategy. However, at the most basic level, a suitability analysis involves assessing the extent to which a proposed strategy:

- Exploits the opportunities in the environment and avoids the threats; and
- Capitalises on the organisation's strengths and avoids or remedies the weaknesses.

Some of the most common techniques to test for suitability include ranking and screening as well as decision trees.

Although there are notable threats such as the war in Ukraine, the possibility of the outbreak of another pandemic, and the looming retreat in globalisation, HAL's strategy seems generally suitable as it seeks to leverage existing strong strengths such as a strong workforce and access to finance to exploit opportunities for growth.

**Acceptability:**

Acceptability is concerned with whether the expected performance outcomes of a proposed strategy meet the expectations of stakeholders. These can be of three types, the ‘3 Rs’: Return, Risk, and stakeholder Reactions. It is sensible to use more than one approach in assessing the acceptability of a strategy.

HAL’s new announced strategy seems to have appropriately considered return, risk, and stakeholder reactions. The company targets an improvement in earnings per share (EPS) of Frw 3 by 2028 and a reduction of greenhouse gas emissions (GHG) of 20% by the same year. The expected industry average growth in EPS during the same horizon is Frw 1.5 while the expected industry average GHG reduction during the same time frame is 15%. All the aforementioned targets appear to be above industry level, which is what an investor in the company would wish. However, industry experts have raised an alarm on some potential risks such as the war in Ukraine, the possibility of the outbreak of another pandemic, and the looming retreat in globalisation to which the company’s CEO has addressed. Overall, as an investor in HAL, you would probably remain cautious about the ability for the company to deliver on its return targets amid the potential sabotage by the risks indicated above.

That said, overall, the strategy appears generally acceptable.

**Feasibility:**

Feasibility is concerned with whether a strategy could work in practice: in other words, whether an organisation has the capacity to deliver a strategy. An assessment of feasibility is likely to involve two key questions: (a) do the resources and capabilities currently exist to implement a strategy effectively? And (b) if not, can they be obtained? These questions can be applied to any resource area that has a bearing on the viability of a proposed strategy.

Here, however, the focus is on three areas: finance, people (and their skills) and the importance of resource integration.

Ms Aamiina told investors that the company’s chances of success with its strategy are high because the company currently has the required resources and capabilities to implement the strategy effectively. This is evidenced by the fact that the company has secured adequate funding through the recent shares issue. The company has also recently finalised an aggressive campaign in which skilled staff were hired. Both mechanisms are key ingredients in ensuring feasibility of a strategic option.

Therefore, it is safe to conclude that HAL's new announced strategy is generally feasible. It's worth, of course, noting the usual risks that would affect the chances of success. The company's chances of success would possibly be enhanced by training, incentivising, and promoting a conducive work environment for existing staff.

### **Evaluation:**

Evaluation is concerned with identifying strategies that can pass all the hurdles of suitability, acceptability, and feasibility. This is an important stage in the selection process as strategies that may appear excellent under one criterion may fail under another. To take into account there may be conflicting conclusions, there needs to be a synthesis of the strategies selected from the analysis of suitability, acceptability and feasibility, so that the chosen strategy works for all. This often means that strategies that seemed superior earlier on in the process at the suitability stage may either drop out or require significant adjustment to continue. Often the chosen strategy is less about what is 'best', and more about what is possible.

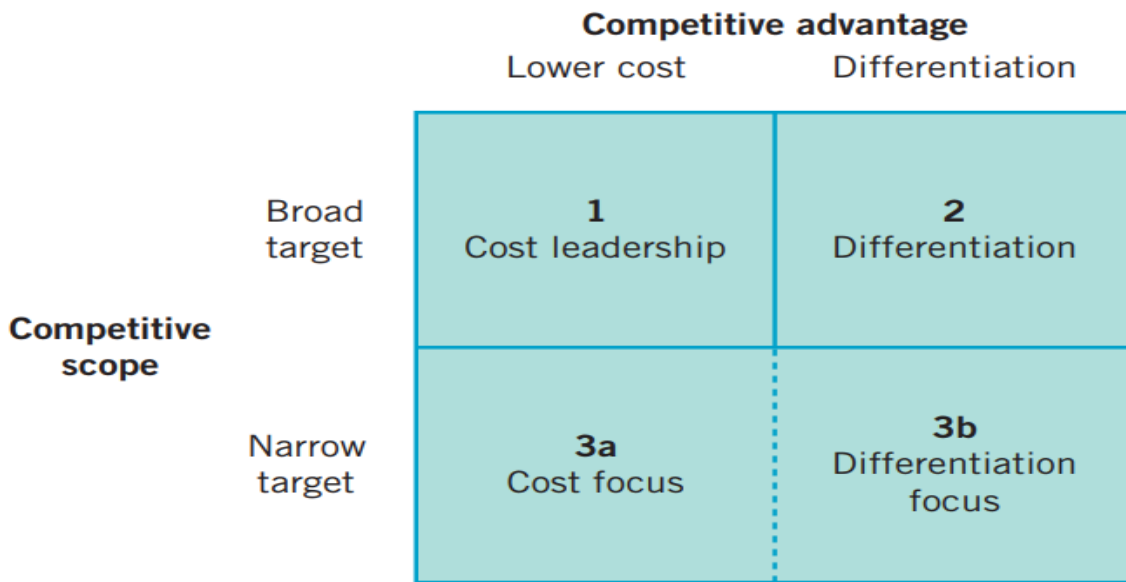
From what has been discussed so far in the above three criteria, one would assume that the proposed strategy stands a good chance of success. It is important, however, to note that there remain important concerns that will render it obsolete if they materialise. Management would be better if continuously monitoring and improving the strategy in consultation with key stakeholders.

b) With reference to Michael Porter's Generic Competitive Strategies, **identify and discuss key cost drivers that will help deliver HAL's competitive strategy.**

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.

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 3.1:

**Figure 3.1: Three Generic Competitive Strategies**



It is evident from the case study that HAL selected to pursue a **cost-leadership strategy** to remain competitive in the agrobusiness industry.

Cost-leadership strategy involves becoming the systematically lowest-cost organization in a domain of activity. The following are four key cost drivers that will help deliver HAL’s cost leadership strategy:

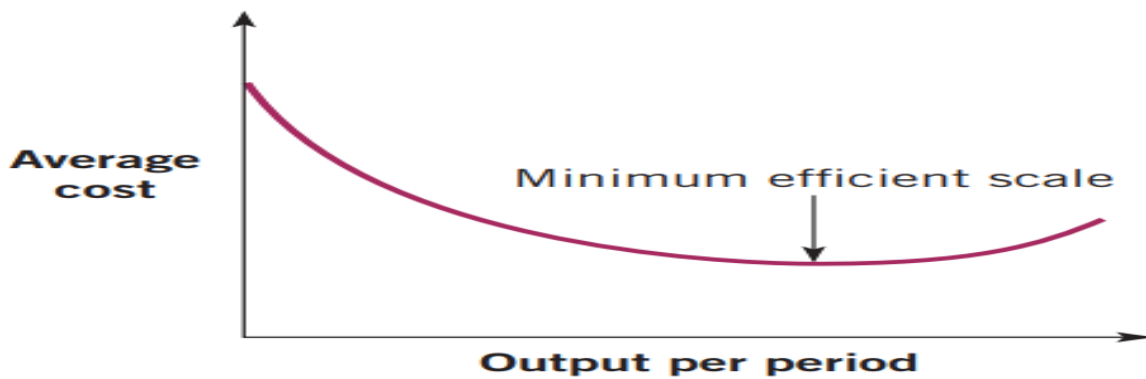
**1. Input costs:**

Input costs are often very important, for example labour or raw materials. Many companies seek competitive advantage through locating their labour-intensive operations in countries with low labour costs. HAL would achieve a cost-leadership strategy by lowering its costs for oilseeds such as soybeans and soft seeds (cottonseed, sunflower seed, canola, and flaxseed), corn, dextrose, and starch as well as costs of to buy, store, clean, and transport agricultural commodities, such as oilseeds, corn, wheat, milo, oats, rice, and barley. This could be done by sourcing these raw materials from alternative cheaper farmers or becoming efficient in its operations.

**2. Economies of scale:**

Economies of scale refer to how increasing scale usually reduces the average costs of operation over a particular time period, perhaps a month or a year. Economies of scale are important wherever there are high fixed costs. Fixed costs are those costs necessary for a level of output. Economies of scale come from spreading these fixed costs over high levels of output (see figure 3.2). HAL would potentially benefit from economies of scale by increasing its production capacity in its processing segments such as oilseeds and corn, which would basically reduce the average cost per output.

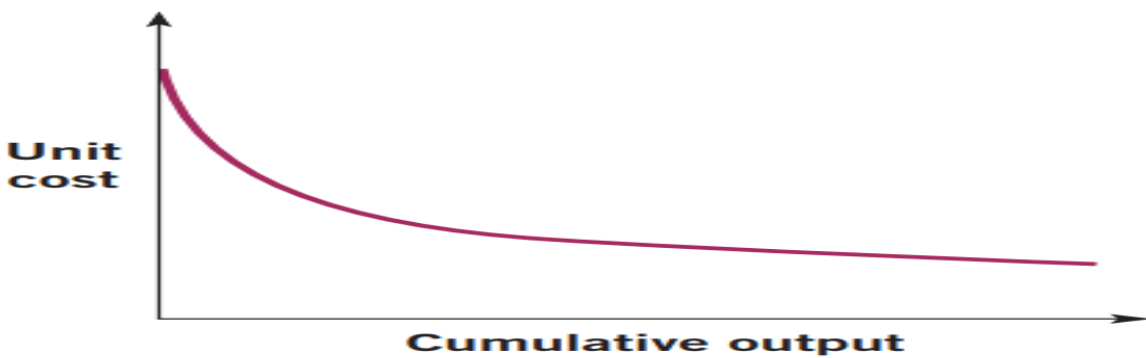
**Figure 3.2: Economies of scale**



**3. Experience:**

Experience can be a key source of cost efficiency. The experience curve implies that the cumulative experience gained by an organisation with each unit of output leads to reductions in unit costs (see figure 3.3). Given the company has been in business for close to three decades, it should be ramping up experience over time to benefit from cost efficiencies. This is of course coupled with the company's commitment to hiring skilled staff and training among other efforts.

**Figure 3.3: The experience curve**



**4. Product/process design:**

Product/process design also influences cost. Efficiency can be 'designed in' at the outset. HAL will likely cut down its costs by ensuring that its over 30 plants and 60 crop procurement facilities worldwide are appropriately designed to handle as much output as possible.

## QUESTION FOUR

### Hoosingo Company Limited (HCL):

#### Marking Guide:

Qn	Description	Marks	Total Marks
a	Examination of HCL's two major product brands and propose appropriate strategic directions for the company to pursue: A short but clear introduction/description to the Ansoff Matrix Kanyota (Award 1 mark for a correct strategic direction - market development. Award 1 mark for any one correct justification or explanation. Award 1 mark for any one correct approach of achieving market development) Huha (Award 1 mark for a correct strategic direction - market penetration. Award 1 mark for any one correct justification or explanation. Award 1 mark for any one correct approach of achieving market penetration) A valid diagram/illustration of the Ansoff Matrix. No additional marks for a diagram with HCL's data inside the diagram but no penalty as well	2 3 3 1	9
b	Report to the CEO: Presentation (Award 1 mark if the answer has a minimum of addressee or CEO and COO, author or Head of HRM, correct date, and title. If any of these is missing, award 0.5 marks and award 0 if the answer is not presented in form of a report)	1	
b (i)	Benefits (Award 1 mark for each correctly stated benefit). Benefits in the model answer are not exhaustive and other correct benefits should be considered 5 benefits * 1 mark = 5 maximum marks Challenges (Award 1 mark for each correctly stated challenge). Challenges in the model answer are not exhaustive and other correct challenge should be considered 5 challenge * 1 mark = 5 maximum marks	5 5	11
b (ii)	Disciplinary Action against Kamanzi Freddy: A short but clear introduction/description to disciplinary action against employees Oral warning (Award 1 mark for any valid short description of this step and 0.5 marks if the explanation is poor or not explained)	1 1	



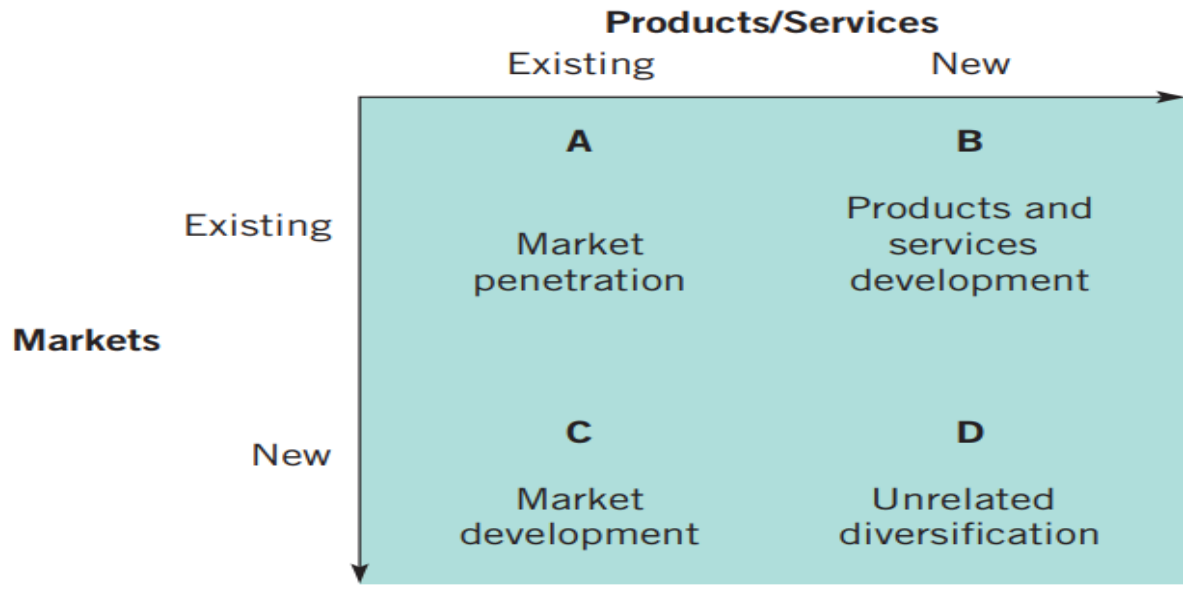
Qn	Description	Marks	Total Marks
	Written warning (Award 1 mark for any valid short description of this step and 0.5 marks if the explanation is poor or not explained)	1	
	Suspension (Award 1 mark for any valid short description of this step and 0.5 marks if the explanation is poor or not explained)	1	
	Dismissal (Award 1 mark for any valid short description of this step and 0.5 marks if the explanation is poor or not explained)	1	5
	<b>Total Marks</b>		<b><u>25</u></b>

**Model Answers**

a) Using the Ansoff matrix, **examine HCL’s two major product brands and propose appropriate strategic directions for the company to pursue.**

The Ansoff Matrix (see figure 4.1), 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. Ansoff’s matrix offers strategic choices to achieve the objectives. There are four main categories for selection as illustrated in figure 4.1:

**Figure 4.1: The Ansoff Matrix**



## **Kanyota**

Kanyota is HCL's major alcoholic product brand. The brand has a whopping 70% market share and is widely known by the people of Hoosinga where the company is located.

Since Kanyota is widely known in this region, promoting it in other regions sound like a sensible approach. This strategy is called market development. Market development involves offering existing products/services to new markets. This means that the product remains the same, but it is marketed to a new audience. Exporting the product or marketing it in a new region are examples of market development. This is the best strategic direction mainly because the majority of people in Hoosinga know and consume the drink. It would be better to now introduce the drink to other markets (nationally nor internationally) since it is less known and consumed elsewhere.

To achieve market development strategy, HCL should consider the following approaches:

1. Catering to a different customer segment
2. Entering into a new domestic market (expanding regionally)
3. Entering into a foreign market (expanding internationally)

## **Huha:**

Huha is HCL's major non-alcoholic brand. The brand has a relatively low market share of 25% which is probably because of its perceived high price. Worse still, less people know this brand.

It appears, therefore, that HCL would be better off pursuing market penetration for this brand.

Market penetration implies increasing share of current markets with the current product or service range. This means increasing revenue by, for example, promoting the product, repositioning the brand, and so on. However, the product is not altered, and the company does not seek any new customers.

The market penetration strategy can be executed in a number of ways:

1. Decreasing prices to attract new customers, which would be addressing the issue of high price
2. Increasing promotion and distribution efforts
3. Acquiring a competitor in the same marketplace

b) You are the head of the HRM department. **Prepare a report:**

- i. **Assessing the proposed remote working policy.** *Note: Tabulate your answer clearly stating benefits and challenges associated with the proposed policies to HCL.*
- ii. **Recommending steps followed in taking disciplinary action against an employee who has passed the probation period.**

From: Head of HRM department, HCL

To: CEO, HCL

Cc: COO

10 May 2023

Hoosanga

Dear CEO,

**Re: Report assessing the proposed remote working policy to HCL and disciplinary action steps**

I refer to your request to assess feasibility of the proposed remote working policy and steps to be followed in taking disciplinary action against employees and present a report to management to help decide on whether the policy should be rolled out or not.

I am pleased to present to the above for your kind consideration:

<b>Benefits of remote working</b>	<b>Challenges of remote working</b>
<ul style="list-style-type: none"><li>• Significant reductions in real estate expenses as only a small handful of employees are required to be in the office.</li><li>• Reduction in costs related to electronic devices, electricity, heating, and air conditioning that on-site employees would typically utilise.</li><li>• Reduction in time spent commuting to work. As the average employee spends less time commuting, working from home means that this time could be spent on work-related projects.</li></ul>	<ul style="list-style-type: none"><li>• Limited access to the right technology or getting timely access to tech issue resolution.</li><li>• Lack of cohesion and communication between employees might lead to information getting lost in translation.</li><li>• Difficulty unplugging after work or maintaining work-life balance.</li><li>• Lack of collaboration and socialising can lead to feelings of isolation among employees.</li><li>• Difficulty maintaining company culture for HRM managers and business leaders.</li><li>• Disconnect in training and development processes for onboarding</li></ul>

Benefits of remote working	Challenges of remote working
<ul style="list-style-type: none"> <li>• Hiring remote employees from various geographic locations means companies could expand their presence into multiple regions with a workforce familiar with the local business practices, languages, and cultures.</li> <li>• Despite many employers being concerned about the potential lack of productivity in work-at-home environments, many actually find the contrary to be true. Workers can set up a place at home where they are comfy and void of distractions, hence increasing productivity</li> <li>• It is likely to increase employee retention as many workers require remote working in new employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• new talent can be challenging for HRM.</li> <li>• Difficulty in managing global teams scattered across different time zones.</li> </ul>

### Disciplinary Action against Kamanzi Freddy

When work performance or behaviour is unacceptable it is the supervisor’s responsibility to address the problem and to advise on appropriate performance. If the employee does not correct the problem, they face disciplinary action. The employee should clearly understand the disciplinary process. Such procedures usually apply only to employees past their probation period. Those still on probation may be dismissed without warning.

Disciplinary procedures, like grievance procedures, vary from one employer to another and where there are more than ten employees will be found in the internal regulations.

The following steps are recommended for taking disciplinary action against Kamanzi Freddy:

**Oral warning:** Kamanzi’s supervisor should warn him that his performance is not acceptable. This applies only to less serious problems. Serious problems such as drinking, or drug use probably will result in immediate suspension or dismissal but luckily that is what Kamanzi is being accused of. The oral warning should go into his personnel record but should be removed later if his performance improves Since no action has been taken, it’s advised that Kamanzi is first verbally warned.

**Written warning:** Repeated performance problems should result in a written warning for Kamanzi Freddy. This step should take place after the above oral warning is issued. A written warning may become a permanent part of the personnel record if his performance does not improve within a reasonable time.

**Suspension:** Suspension means the employee is not allowed to work for a short period of time, sometimes three to five days. This is unpaid time. The disciplinary action becomes a permanent part of the personnel record. This will only be an option for Kamanzi after the above two actions yield no benefit.

**Dismissal:** The final step of any disciplinary process is dismissal. This means the HCL won't tolerate poor job performance any longer if Kamanzi does not improve. Dismissal becomes a permanent part of the personnel record. It also means that any future employer who contacts HCL may be told that Kamanzi was dismissed from his job.

Yours sincerely,  
Head of HRM department

**END OF MARKING GUIDE AND MODEL ANSWERS**