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CERTIFIED PUBLIC ACCOUNTANT

ADVANCED LEVEL 1 EXAMINATION

A1.1: STRATEGY AND LEADERSHIP

MARKING GUIDE AND MODEL ANSWERS

DATE: MONDAY 21, AUGUST 2023

SECTION A

Question one

a) Evaluate the macro-environment of SML in reference to the PESTEL

Political factors

Safety

Technology

Legislation

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

3

Economic factors

Purchasing power

GDP growth

Stable inflation

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

3

Socio-economic factors

Increase in productivity

Increased usage of motorcycles

Creation of more jobs

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

3

Technological factors

SML app

Infrastructure

Electric motorcycles

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

3

Legal factors

Defined laws

Enforceability

Sustainable development

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

3

(Subtotal: 15 Marks)

b) With the use of Porter's five forces model, analyse the market place environment in which SML operates.

Threat of new entrants

Economies of scale

Product differentiation

Capital requirements

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

3

Power of buyers

Switching costs

Customer profitability

Product quality

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

1

3

Power of suppliers

Several suppliers

Threat of new entrants

Importance of the product

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

1

3

Substitution threat

Other players

Cheaper motorcycles

Payment app

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

1

2

Rivalry

Threat of entry

Higher profits

Any other valid point (will attract 1 Mark)

Maximum marks

1

1

1

1

2

(Subtotal: 13 Marks)

c) An evaluation of the key elements of operations management that would be fundamental while establishing a new assembling factory in Rwanda

Design

Forecasting demand

Work design

Factory design

Factory layout

Job design or work study

Maintenance

Quality

1

1

1

1

1

1

1

1

A1.1

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Location 1
 Purchasing 1
 Any other valid point (will attract 1 Mark) 1
Maximum marks 8

d) Examine the activities that should be considered while launching the new electric motor cycles.

Idea generation 1
 Screening 1.5
 Business Analysis 1.5
 Product development 1.5
 Testing in the market 1.5
 Commercialisation stage 1
Maximum marks 8

e) Process that would fit into SML's strategy of launching electric motor cycles

Life cycle and mental process 1
 Awareness 1
 Evaluation 1
 Trial 1
 Adoption of the purchase 1
 Conclusion 1
6

(Total: 50 Marks)

NB: On each question, full marks are only awarded to a well explained point.

Model Answers

Safe Motors Ltd.

a) Evaluate the macro-environment of SML in reference to the PESTEL framework

The main macro-economic influences affecting SML are:

Political factors

This is about how and to what degree a government intervenes in the economy. This can include – government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labour law, environmental law, trade restrictions and so on. SML is politically operating in one of the safest countries in Africa, this facilitates them to conduct business in a safe environment. Similarly, SML is also operating in an environment that has accepted technology as a cornerstone of its development aspirations – with the new app that facilitates easy pay, SML appears to be facilitated in its new innovations. The political environment also appears to protect workers from unfair treatment by employers through the enacting of labour legislations which include occupational safety, minimum wage, health, and working conditions.

Economic factors

Economic factors have a significant impact on how an organisation does business and also how profitable they are. They include – economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses and so on. While the economy appears to be reviving, the past few years resulted into a reduction of customer commitment to long-term investments. An increase in purchasing after formation of a cooperative through which motorcyclists can save and lend to one another including being able to purchase motorcycles by getting loans from the cooperative, itself. 10% of GDP as a good indicator in terms of economic growth and development including enhanced purchasing power due to available job facilities already created.

Socio – economic factors

Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – population growth, age distribution, health consciousness, career attitudes, population demographics, income distribution, social mobility, attitude to work and leisure, level of education, levels of consumerism.

and so on. These factors are of particular interest as they have a direct effect on how marketers understand customers and what drives them. Most Kigali dwellers having dropped their cars to use other means of transport including motorcycles appear to have greatly contributed to the reviving of SML's business activities. With the increase in fuel prices, tax hire has become expensive and public transport is not very efficient – as it is missing in some areas, and sometimes it requires one to walk some considerable distance to find a waiting bus at a stop station; this has contributed towards the increase usage of motorcycles to transport people and goods. Registered increase in productivity emanating from adoption of cashless economy efforts have also improved the velocity of money as well as bringing in more money into the formal economy which enabled cost savings and increased resources in the financial institutions which would later allow for cheaper loans and more investments. More jobs being created also significantly contributes to increased incomes and eventually improved purchasing power and living standards.

Technological factors

It is well known, how fast the technological landscape changes and how this impacts the way we market our products. Technological factors affect marketing and the management thereof in three distinct ways: new ways of producing goods and services; New ways of distributing goods and services; and new ways of communicating with target markets. Examples may include Government spending on research, support for new discoveries, patent rights, transport/communication infrastructure. The app developed by SML has facilitated an easy way to pay for the transport charged. The infrastructure developed by the government has immensely contributed to the development of such new technologies that have also contributed towards the achieving of a cashless economy status. With the emergence of electronic motorcycles, SML would have contributed towards supporting the country's ambitious green development goals that will facilitate the country to counter the effects of climate change on people and economy including emissions from cars and motorcycles. Presence of electronic vehicles (EV) Plug-in stations which have already been installed around Kigali that are capable of charging both cars and motorcycles appear to be Rwanda's hopes of becoming an electric vehicle powerhouse.

Environmental factors

These have become important due to the increasing scarcity of raw materials, pollution targets, doing business as an ethical and sustainable company, carbon footprint targets set by governments. More and more consumers are demanding that the products they buy are sourced ethically, and if possible, from a sustainable source. E.g., Green issues. If SML starts importing electric vehicles, then it shall be assumed to be sourcing from a sustainable company that adheres to climate change and other green developmental goals. With the importation of electric motorcycles, coupled with the government's ambitions of limiting air pollution and the reduction of greenhouse gas emissions from 14% to 10%, the carbon footprint targets appear to have been realised.

Legal factors

These are legislative issues that may have an impact on the business. Legal factors include health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and product safety. It is clear that companies need to know what is and what is not legal in order to trade successfully. If an organisation trades globally this becomes a very tricky area to get right as each country has its own set of rules and regulations. SML appears therefore to be operating in a country where they are clearly defined laws defining employee rights and employers' responsibilities, this facilitates the working environment to be efficient and scandal free. SML will need to evaluate the benefits of working in such an environment. With the presence of Rwanda Environment Management Authority (REMA) that enforces compliance with all the green issues, it is possible that SML spends some money to meet the requirements. SML appear to already understand the Rwandan market and it is possible that they even decided to import their motorcycles and other spare parts from a supplying company that has a good reputation of enforcing sustainability development and reporting.

Summary

In the context of the case study scenario, SML is affected by all the PESTEL factors but mostly political, economic, socio-economic, environmental and technological factors. It is therefore advisable that SML continues to scan the legal environment in order to identify trends that could undermine, enhance or affect the sale of its motorcycles and other parts in Rwanda.

b) Analyse the industry or market place environment in which SML operates.

Porter's Five Forces is a simple but powerful tool that you can use to identify the main sources of competition in an industry or sector. The following key factors are used to analyse SML competitive environment.

The threat of entry:

- i. Economies of scale – It appear SML is a big company given the sector and technology it possesses. This is believed that it would benefit from bulky purchasing and hence forth reduce on the cost of production which acts as a barrier to entry for small companies or other competitors in Rwanda.
- ii. Product differentiation – Producing motorcycles and developing an app to facilitate the payment platform may not be easier to emulate. Besides, motorcycles on the market appear to not have yet built a brand as big as NML's to command some loyalty. This would ideally make new entrants difficult to enter the market by crowding out the competition by promoting their already established motorcycles and the respective parts.
- iii. Capital requirements – NML appears to be operating in a capital and knowledge intensive sector, this makes it to be a strong barrier to new entrants to enter the market as this would possibly be a high-risk investment.
- iv. Switching costs – While it may appear easier to switch from one supplier to another, this may not be the same case when it comes to software application and motorcycle business distributors or retailers, since this movement may require time, money and convenience which NML could have provided already through a lease and buy arrangement for repeat customers.

The power of buyers:

Customers want better quality products at relatively lower prices; satisfying this want may therefore push profits further down. Position of buyers is influenced by several other factors:

- i. Buyers appear to have higher power as the ratio of buyers compared to sellers is very slim in this market.
- ii. The switching costs appear to be low due to the generic nature of the product – cost of switching suppliers, though with the app that is provided free of charge upon purchase, this would provide NML a competitive advantage.
- iii. Most motorcyclists find it critical to own a motorcycle later alone to be used in their own business; this provides NML with higher power over the buyers.
- iv. Customer's own profitability – a customer who makes low profits will insist on low prices from suppliers; for NML since this is appears to be the current means of transport favoured by many, motorcyclists appear to also be making profits.

v. Since NML prices for both motorcycles and spare parts are readily displayed over its website and that customers can access them along with other competitor prices; charging a high price might not be possible. Though, it is assumed that with good quality, NML is not afraid of charging a slightly higher price than its competition.

vi. Since NML's motorcycles as well as spare parts are perceived to be of high quality and important to customers since they are energy efficient and electric, customers are less likely to be price sensitive hence making this industry more profitable in return.

The power of suppliers

Switching costs are low and therefore moving from one supplier to another may not be a problem.

The company is able to integrate forward by taking over suppliers easily. Suppliers may exert pressure for higher prices. The ability of suppliers to get higher prices depends on a number of factors:

i. NML appears to have several other suppliers to supply both electric motorcycles and the spare parts, therefore charging monopoly or oligopoly prices may not apply, leaving NML with higher power over this threat.

ii. The threat of new entrants or substitute products to the supplier's industry is quite likely as NML does not have control over that, and it appears most countries are looking into green investments going forward.

iii. Whether the suppliers have other customers outside the industry, and therefore do not have to rely on the industry for the majority of their sales is quite likely, as such big suppliers usually do not risk relying on only a few customers, moreover in Africa.

iv. The importance of the supplier's product to the customer's business is quite high and therefore NML could be threatened here.

The threat of substitutes

i. There are other players in the motor cycle industry, selling similar products. This weakens the power further through competitive price offerings, though with some differentiation of selling electric motorcycles and the provision of an app upon each purchase could be a major factor in mitigating this threat.

ii. The competitors are offering motor cycles at a relatively cheaper price but with the quality of NML motor cycles, this does not appear to be a major one, hence pushing the threat of substitutes to be low in this case.

iii. The other threat could emanate from another payment app being introduced into the market by some other supplier.

Competitive rivalry

i. The intensity of rivalry within the motorcycle industry appears to be significantly less as there are only four players in the market place, and NML owns 40% of the market share. The remaining 60% is shared among the three players.

ii. It is possible that the threat of new entrants contributed to a less competitive rivalry. It appears that NML could have adopted a focused differentiation strategy.

iii. With this level of competitive rivalry, it appears there are some chances of NML somewhat pushing volumes and consequently earning higher profits due to price competition, advertising battles, sales promotion campaigns, new product introduction to the market, improving after sales services or providing guarantees or warranties.

c) An evaluation of the key elements of operations management that would be fundamental while establishing a new assembling factory in Rwanda

Operations management is concerned with the transformation of both tangible and intangible inputs and convert them into an output to facilitate the realisation of an organisation’s objectives set during the strategic management process.

The key elements of operations management at NML are:

- i. **Design** – NML will need to have a department which carry out research and development studies on the design of the assembling plant. If it does not have one, then it would consider outsourcing this activity to experts.
- ii. **Design stages** – NML will need to have Design proposals, Developed Models, and Finished drawings/specifications, including supervisors who will facilitate in the setting up of the facility. Designers will be guided by the following factors: Standardisation – NML will have to standardise components such that they fit a variety of designs to facilitate bulk purchasing and stock control; simplification – NML will consider reducing the number of steps in a process to facilitate in cost control, administration costs and management; and specialisation – NML will need to improve efficiencies which provide returns in better customer service, economies of scale and set-up times.
- iii. **Forecasting demand** – with good feedback from customers and market analysis (marketing department will have to conduct it); NML will be able to forecast demand which helps in planning many aspects of the business such as production runs, inventory and resourcing.
- iv. **Work design** – the design of work should consider the layout of the manufacturing plant/factory suitable for motor cycle assembling.
- v. **Factory design** – this should consider the current and future expansion size of the factory. Government authorities may also come in to check whether the planning considerations such as Kigali master plan, and Rwanda Environment Management Authority (REMA) are promptly addressed.
- vi. **Factory layout** – the division of NML staff to support production and departmental configuration needs to be looked into also.
- vii. **Job design or work study** – to support aspects of waste elimination – in case of any, support should be rendered to increase production of electric motor cycles, thereby benefiting through cost savings that may accrue.
- viii. **Maintenance** – factory maintenance will facilitate the ensuring of optimum availability of plant and machinery for production of electric motor cycles. Types of maintenance include preventive maintenance, corrective maintenance, breakdown maintenance, and running maintenance.
- ix. **Quality** – this would ensure that electric motor cycles are “fit for purpose” for which they were assembled or manufactured. This may include quality control – checking on motor

cycles before they are delivered either to the warehouse or to customers; quality circles – whether teams are organised around quality initiatives and world class manufacturing, and quality – which is everyone’s responsibility at NML as Ms Linda stressed.

- x. Location – this would be important as it has a direct impact on operational costs. Things to look at should include: proximity to market, government incentives, cost of land, availability of labour, availability of power, security, waste disposal, proximity to raw materials.
- xi. Purchasing – Looking at the purchasing mix (quantity, quality, price, delivery) would help to ensure that adequate stock levels of materials of the production process are available.
- xii. Inventory management – Just in time (JIT): modern method of maintaining minimum stock levels would be possible by detailing the production run/schedule very carefully whilst ensuring that motor cycle stock levels meet production demand.

d) Examining the activities that should be considered while launching the new electric motor cycles.

New product development process

This refers to a number of activities that should be undertaken during the development of electric motor cycles up to the stage of becoming commercially viable or launched onto the market. These activities are:

Ideas generation – this is the first stage of the process that considers collection of information and ideas with a hope that at some point in time, the idea will turn into a new product or a modification of an existing one. NML will be expected to obtain those ideas from any stakeholder, be it employees, board members or any other.

Screening – this is the second step and considers evaluating ideas generated in regard to their marketability, aligned to the company’s future objectives and resources. NML will assess whether the ideas gathered are in line with future goals and objectives of NML.

Business analysis – at this level NML will need a more detailed and specific consideration to be conducted including potential future sales and profitability. The marketing and operations department should assist to execute this.

Product development – new electric motor cycles with marketable propositions are developed under the responsibility of NML’s research and development department.

Testing in the market – at this level, the new electric motor cycles are tested in the market to determine their acceptability by the market before the launch (if possible, a mini launch could also be considered).

Commercialisation stage – This is the stage where all aspects of the new electric motor cycles are launched to the intended market are considered under the following marketing mix: nature of the final promotion; role of the sales personnel; price of the product; and the distribution means that shall be deployed.

If NML carries out well all the above-mentioned activities, then the launch of the new electric motor cycles would be expected to be a success.

e) Explaining how the ‘adoption’ process would fit into NML’s strategy of launching electric motor cycles

Before NML launches a product, it will have to consider the new electric motor cycles’ life cycle (LC) and the mental process its purchasers will go through before they purchase a new electric motor cycle. The process is as follows:

Awareness – NML will need to ensure that its customers get to understand all the details pertaining to the new electric motor cycles whilst ensuring that they do get interested in buying them. NML will have to also tell its customers that these new motor cycles are unique from the usual ones, they are environmentally friendly, easy to use among other benefits.

Evaluation – the marketing department is expected to have gathered some information around customers and customer feedback. Based on this information, NML will be able to compare it against customers or potential customer’s needs.

Trial – under this process, NML may consider conducting a marketing campaign including the awarding of sales promotion such as free apps upon purchase of an electric motor cycle, free rides to potential customers to have a feel of what it is like to ride on an electric motor cycle, allow some motor cyclists free own rides to confirm whether the motor cycles are actually electric etc.

Adoption of the purchase – this relates to the actual purchase and repurchase of the electric motor cycles. Special offers may be considered for let say, the first ten buyers, reminder adverts on both radio, television and on various social media platforms. Improvements on the motor cycles should be continued whilst devising an activity that would turn all clients to be loyal to NML.

In summary, if NML conducts this process well, it shall then contribute to the long-term goals and objectives of the company for the betterment of all its stakeholders including board members, staff among others

SECTION B

QUESTION TWO

Marking guide

a) Which two techniques could be deployed by MFC managers to effect the required change?

- Search 2
- Creativity 2
- Maximum marks 4

b) Evaluate how the change idea will be championed referring to the four roles and recommend who should champion the change.

- Inventor or idea champion 1.5
- Champion 1.5
- Sponsor 1.5
- Critic 1.5
- Recommendation 2
- Maximum marks 8

c) Recommend the areas of change which you believe MFC should focus on

- Staff unhappiness 1
- Profitability issues 1
- Working capital requirements 1
- Rationale for staff turnover 1
- Raw material sourcing policy 1
- Maximum marks 5

d) Use the Ashridge Model to evaluate the attractiveness of the above potential targets which the Managing Director believe could be needed to revive MFC

- Explain the tool 1
- Heartland business units 1.5
- Ballast business units 1.5
- Value trap business units 1.5
- Alien business units 1.5
- Conclusion 1
- Maximum marks 8

(Total: 25 Marks)

Model Answers

a) The two techniques which could be deployed by MFC managers to effect the required change are:

Search

This refers to the process of learning about current developments inside or outside the organisation that can be used to meet a perceived need for change. MFC will need to find out what the Operations Manager has to offer as well as other staff members. MFC should also search for some new ideas externally whilst encouraging all departments to be innovative.

Creativity

This refers to the development of innovative ideas or solutions that might meet perceived needs or offer opportunities for the organisation to follow. After the searching process, MFC would be expected to have generated some new ideas for deployment, if they are in line with what the company would want to achieve or resolve.

b) Evaluating how the change idea will be championed referring to the four roles and recommend who should champion the change.

Inventor or idea champion

Jean Claude, the operations manager has seen that change is required within MFC. Since he is considered to be the best operations manager in the country, then he should be technically good to develop all the technical aspects and also support the idea such that the Managing Director does not reject it. In this case, Jean Claude is the inventor.

Champion

Again, Jean Claude shared his views in support of the change and he has also indicated how passionate he is to drive it forward despite the initial negative feedback that he could be receiving from fellow staff members. Without Jean Claude it appears this idea cannot get anywhere. In this case, Jean Claude is equally the champion.

Sponsor

The Finance manager, Sharon Mutamba's approval of the idea is a good indication that she can still protect it as well as provide support to remove the negativity among the other staff members. If she is going to explain the idea to other staff members, then she qualifies to be a sponsor.

Critic

Sharon had initially criticised the idea, but it appears her criticism was constructive since she is now promoting it. In this case, Sharon is a critic.

To champion this change idea at MFC appears to be between two people, the operations manager who is both the inventor and champion and the finance manager who appears to be both the sponsor and critic.

c) Recommend the areas of change which you believe MFC should focus on

MFC should try to find out why staff are unhappy. Unhappy staff especially those meeting customers such as waiters and waitresses, may contribute to poor customer service.

MFC should also focus on revenue generating aspects which contribute to profitability since the outlet's profits are already deteriorating

MFC should look at its working capital requirements mainly cash as its liquidity position is currently poor.

MFC should check the issue of staff turnover. If staff continue to leave and also talk about the outlet in the media, then MFC's reputation will continue to get impaired.

MFC should also relook at its policy regarding the sourcing of raw materials to discontinue the boycotting. If customers are boycotting the outlet because of purchasing items from Nairobi, then

MFC should try to establish why that would be a problem.

d) Use the Ashridge Model to evaluate the attractiveness of the above potential targets which the Managing Director believe could be needed to revive MFC

The Ashridge Portfolio Matrix is a simple and effective tool for evaluating the attractiveness of a potential acquisition target. It builds on the ideas of the parental developer. It suggests that the corporation should seek to build portfolios that fit within the corporate parent skills and that the corporate parent should build skills that are appropriate for the portfolio.

Heartland business units

This refers to a business which is in the same industry as the one being considered for a merger or takeover. Ngezi café falls here since they lack operational knowledge and skills needed to manage a café, yet this is one of MFC's strongest areas. MFC should consider Ngezi café in its future strategy as acquiring it or merging with them appears to add value and less problematic.

Ballast business units

Under this unit, the business being targeted is also in the same industry as the parent. Savannah lounge belongs here, as they are in the same industry as MFC though they are self-reliant and therefore do not need MFC. MFC would not add value here and henceforth no opportunities for it.

Value trap business units

Refers to a business that is outside the industry that is considering a takeover or merger as the prevailing opportunities lie within the resources and capabilities that the target business would likely need to succeed. Nina furniture are candidates here since they are operating in a high growth market with a good market share. Though it appears dangerous for MFC since they have never operated in this industry before, but it may leave it open for future consideration.

Alien business units

These are misfits, they offer little opportunity to add value. Sam & Sons Ltd is under this business unit and therefore MFC should just withdraw or exit since this business is outside MFC's current industry and it is likely that there no compatibility of resources nor capabilities.

Given that Ngezi café lacks operational knowledge and skills which are part of MFC's critical success factors, then Heartland business units are the most appropriate for MFC as potential targets.

QUESTION THREE

Marking guide

Recommend which Porter's Generic Strategy should Jobill Ltd pursue (Your analysis should include advantages and or characteristics of each strategy)

Cost leadership 1

Charging lower prices 1

Charging industry average prices 1

How to make it successful

Efficient logistics 1

Low-cost base of resources 1

Technological investments 1

Differentiation 1

How to make it successful

High value deliveries 1

Effective sales and marketing department 1

Good research and innovations 1

Focus strategy 1

Cost focus 1

Differentiation focus 1

Recommendation 2

Maximum marks 15

a) The Chief Executive Officer has been appointed the project sponsor to ensure that Jobill Ltd remains competitive, what are the likely responsibilities of the CEO in this regard.

Project endorsement 2

Promote support by key stakeholders 2

Overall control of the project 2

Making resources available 2

Resolve conflicts 2

Be accessible and approachable 2

Any other valid point (will attract 1 Mark) 2

Maximum marks 10

(Total: 25 Marks)

Model Answers

a) Recommend which Porter's Generic Strategy should Jobill Ltd pursue (Your analysis should include advantages and or characteristics of each strategy)

Porter's generic strategies are a means of gaining a competitive advantage over other players in the industry.

According to Michael Porter there are three generic strategies which a company such as Jobill Ltd may pursue:

1. Cost leadership

This is a strategy where Jobill would set out to become the low-cost producer of cooking oil. If it can achieve and sustain its cost leadership then it will be above average performer in this industry.

There are mainly two ways of doing this:

Increasing market share by charging lower prices if Jobill would be in position to make some reasonable profits as a result of reduced costs.

Secondly, Jobill may charge almost industry average prices, but due to reduced costs it is able to increase profitability.

Jobill would be successful in achieving the cost leadership route through:

- i. Possession of very efficient logistics
- ii. A low-cost base of resources such as labour, material and other facilities to facilitate the cutting of costs below those of other competitors.
- iii. Possibility of deploying technological investments that would facilitate in bringing down costs. Deep internal focus on the processes.

2. Differentiation

This is a strategy where Jobill would seek to be unique in the cooking oil industry and be widely valued by its customers. It is rewarded with a premium price which exceeds the extra cost incurred in being unique. How Jobill does this will depend on the nature of the industry as well as the products and services being offered, though typically it will involve features such as durability, functionality, support brand image that is valued by the customers.

To make a differentiation strategy successful, Jobill should have:

- i. The ability to deliver highly valued cooking oil in form of good quality that is preferred by the customers.
- ii. Effective sales and marketing department to facilitate the easy understandability of the differentiated offerings by the market.
- iii. Good research, innovation and development. Requires an outward facing with a highly creative approach.

3. Focus strategy

This is a strategy that would require concentrating on a particular niche market and, by understanding the dynamics of that market and the unique needs of customers within it, Jobill develops uniquely low-cost or well-specified products for the market. Because they would serve customers in their market uniquely well, then Jobill would tend to build strong brand loyalty amongst its customers. This makes this particular market segment less attractive to competitors.

Cost focus – Would require Jobill to seek advantage in a target segment. And should be able to add something extra as a result of serving that market niche only.

Differentiation focus – exploits the special needs of buyers in certain segments by adding something extra within that market niche that could enhance the differentiation such as deep understanding of Jobill’s clients.

Since the current cooking oil supplied by Jobill Ltd has lowered its profits due to a shift in customers preferences as they now prefer sunseed flower cooking oil due to its richness in Vitamin E, low saturated fat and cholesterol free for healthier cooking and a healthier body even if they buy it at a premium; Jobill Ltd would better fit here. Besides, it already possesses an effective sales and marketing team that would be able to explain to the market the uniqueness of what they want to produce going forward, appear to have a good research and innovation team, they appear able and determined to produce that cooking oil, and hence a differentiation strategy is recommended for Jobill Ltd to pursue and rejuvenate its current position.

b) The Chief Executive Officer has been appointed the project sponsor to ensure that Jobill Ltd remains competitive, what are the likely responsibilities of the CEO in this regard.

A project sponsor ensures that the project has a purpose, is financed and the results will be utilised. The responsibilities are:

Project’s strategic significance

The CEO should ensure that this project is endorsed to be an investment that is in line with Jobill’s strategic objectives including defending it as a valuable investment worth spending Jobill’s resources.

Promote support to key stakeholders

The maintenance of a good working relationship with key stakeholders both internal and external to Jobill would be required and this will have to be conducted by the CEO. In this case, sales and marketing team as well as the researchers among other stakeholders.

Overall control of the project

Even though the CEO would have full authority in regard to decisions that have to be taken, he or she should promote best practices in planning and managing the project including great flexibility in making day to day decisions.

Making resources available

It is the responsibility of the CEO to provide approval and funding for the project by working out various avenues including lobbying or initiating loan application documents in case it would be required.

Resolve conflicts

The CEO should be able to resolve all sorts of conflicts especially those that would require senior management’s attention such as funding issues, priorities, external, commitments and the like.

Be accessible and approachable

The CEO should be viewed as an individual who is always ready to listen as well as getting involved each time a need arises, even on a relatively short notice.

QUESTION FOUR

Marking guide

a) With the use of a strategic IT grid, evaluate where ASM would be classified and recommend a contingency approach that would better suit ASM.

- Explanation of a strategic IT grid with examples 2
- Support organisations 1.5
- Turnaround organisations 1.5
- Factory organisations 1.5
- Strategy organisations 1.5
- Recommendation 2

Maximum marks 10

b) As a consultant at ASM, explain to management the benefits of possessing a well-designed IT strategy.

- Explanation of IT strategy with examples 1
- Competitive advantage platform 1.5
- Sharing of information 1.5
- Accurate production of useful insights 1.5
- Cybersecurity approach 1.5
- Cost minimisation 1.5
- Advance planning 1.5
- Any other valid point (will attract 1.5 Marks)

Maximum marks 10

c) Given the situation at hand regarding the CEO’s skills in ASM, evaluate the leadership style of the CEO by applying Fiedler’s Contingency Theory of Leadership.

- Leader-member relations 1
- The structure 1
- Position power 1
- Leadership style at ASM 2

Maximum marks 5

(Total: 25 Marks)

Model Answers

a) With the use of a strategic IT grid, evaluate where ASM would be classified and recommend a contingency approach that would better suit ASM.

This refers to a contingency approach that can be deployed to determine whether IT/IS is strategically relevant to ASM.

It is a straight forward and effective tool that uses a Grid system, that provides an important classification for organisations, by identifying propositions according to certain basic characteristics. The Grid possesses four quadrants built around two management questions: the extent to which management feels the current IT systems is important to the business; and the extent to which management think future developments in IT will be for the business – impact of IT on company operations. Depending upon the response to these questions the business can be placed in the four quadrants as follows:

Support organisations

Low current; Low future impact – IT has little relevance and simply supports existing business. Since these are not highly dependent on IT, improvements for the future appear unlikely

Turnaround organisations

Low current; High future impact – IT will feature more on the business agenda in the future to facilitate realisation of organisation objectives even though currently, the organisation appears less dependent on IT methods.

Factory organisations

High current; Low future impact – IT plays a factory role and is important in the day-to-day operations of the business but there is no significant apparent advantage developing IT systems further. Business continuity is influenced by the current systems.

Strategy organisations

High current; High future impact – IT plays a crucial role from the current and future perspective. IT has a strategic significance as it may sustain or improve competitive advantage.

Based on the IT manager's presentation to management summarising why ASM would need a substantial investment in IT if it is to remain relevant; and also given the kind of industry where ASM belongs, it is very likely that currently the usage of IT processes is quite minimal, but will need to feature more regarding ASM's future agenda to further support the realisation of its business goals and hence a turnaround organisation being recommended as ASM's contingency approach.

b) As a consultant to ASM, explain to management the benefits of possessing a well-designed IT strategy.

An IT strategy may be defined as a detailed business plan that stipulates how an organisation uses technology and IT processes to realise its business objectives.

Benefits of a well-designed IT strategy are:

An IT strategy would provide a platform through which an ASM would obtain a competitive advantage as part of its commercial strategy. As this is very crucial currently.

With an IT strategy in place, ASM would be able to efficiently process and share information with minimal errors thereby benefiting from a unified approach of an enhanced communication mechanism.

With the current business environment of AI and big data which requires huge amounts of reliable data to facilitate timely and accurate production of useful insights; this cannot be possible without data collection, governance, processing and analytics, which can only be possible with an IT strategy. ASM would therefore need it to ensure that future data is effectively analysed.

Cybersecurity has become a major concern for most businesses today, including those that need to comply with security standards as part of the needed compliance from their respective regulators. An IT strategy would therefore help ASM to develop a holistic and thorough cybersecurity approach which will help protect both employees and customer data.

With an IT strategy in place, ASM will be able to minimise the high costs that are usually incurred in case of a surprise downtime due to an improved embedded culture of IT resilience.

An IT strategy facilitates the lowering of costs as everything would have been planned for in advance, thereby contributing to the success of ASM.

An IT strategy contributes to a better overall business strategy and business processes since it provides a platform of improving the communication between the IT department and other departments thereby achieving better alignment and buy-in of all the IT initiatives within ASM.

c) Given the situation at hand regarding the CEO's skills in ASM, evaluate the leadership style of the CEO by applying Fiedler's Contingency Theory of Leadership.

Fiedler's Contingency Theory of Leadership states that an individual's effectiveness as a leader is determined by how well their leadership style matches the situation.

Fiedler's contingency theory compares the leadership style to three situational factors to determine as to whether one can be an effective leader by the use of a Least Preferred Co-worker (LPC) scale to describe a co-worker with whom they least enjoy working.

There are three main variables which determine the favourability of the situation and which affect a leader's role and influence:

Leader-member relations: this refers to the degree to which a leader is trusted and liked and the willingness to follow the leader by the employees. This can be determined by the level of respect shared between a team, level of trust etc. the stronger the leader-member relations, the more favourable the situation is.

The structure – this refers to the degree to which the task is clearly defined for the group and the extent to which it can be carried out. The higher the task structure, the more favourable the situation is.

Position power – refers to the power of the leader by virtue of his/her position in the organisation.

Does the leader have the power to plan and direct the work of subordinates?

Considering the level of trust in Mr John, which appears to be high as per the scenario, high level mutual respect commended between Mr John and his team as well as the ability of getting things done by appropriately directly his staff to work out well defined tasks; Mr John can therefore be considered as a relationship-oriented leader. It can therefore be concluded that Mr John can effectively manage interpersonal conflict, boost team energy and morale as well as enhance relationship building among his team.

END OF MARKING GUIDE AND MODEL ANSWERS