CERTIFIED PUBLIC ACCOUNTANTS

ADVANCED LEVEL 1 EXAMINATIONS

A1.1: STRATEGY AND LEADERSHIP

DATE: MONDAY 26, AUGUST 2024

MARKING GUIDE & MODEL ANSWERS

SECTION A

QUESTION ONE

Marking Guide:

QN	Description	Marks	Total Marks
a	Analysis of GIL using Michael Porter's Five Forces Model: A good answer should be clearly explained and tailored to the case study		
	Award 2 marks for a brief explanation or definition of The "five forces" model	2	
	Award 2 marks for any valid diagram of the The "five forces" model	2	
	The threat of new entrants (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor)	2	
	The bargaining power of buyers (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor)	2	
	The bargaining power of suppliers (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor)	2	
	The threat of substitute products and services (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor)	2	
	The intensity of rivalry among competitors in an industry (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor)	2	14
b (i)	Ethical challenges faced by GIL as a cement production company: Award 2 marks per correctly discussed point (5 maximum points). Award 1 mark if the point is not sufficiently explained.		

QN	Description	Marks	Total Marks
	Other correct answers not in the model answer are acceptable.		
	Award 2 marks for a brief explanation or definition of business ethics or ethics	2	
	Environmental Impact	2	
	Health and Safety of Workers	2	
	Community Impact	2	
	Labor Practices	2	10
b (ii)	Strategies to appropriately manage the challenges in (i) above: Award 2 marks per correctly discussed point (4 maximum points). Award 1 mark if the point is not sufficiently explained. Other correct answers not in the model answer are acceptable.		
	Environmental Impact	2	
	Health and Safety of Workers	2	
	Community Impact	2	
	Labor Practices	2	8
c (i)	Key Strategic Leadership actions that GIL's top management should focus on to contribute to the performance of the organisation: Award 2 marks for each correctly discussed point (4 maximum points). Award 1 mark if the point is not sufficiently explained. Other correct answers not in the model answer are acceptable.		
	Award 2 marks for a good email format (Should have adressee, sender, date, and sign-off)	2	
	Determining Strategic Direction	2	
	Exploiting and Maintaining Core Competencies	2	

QN	Description	Marks	Total Marks
	Developing Human Capital	2	
	Sustaining an Effective Organisational Culture	2	10
c (ii)	What the CEO should do to set a strategic direction for GIL: Award 2 marks for each correctly discussed point (4 maximum points). Award 1 mark if the point is not sufficiently explained. Other correct answers not in the model answer are acceptable.		
	Future Focused	2	
	Directional	2	
	Relevant and Purpose-Driven	2	
	Values-Based	2	8
	Total Marks		50

Model Answers:

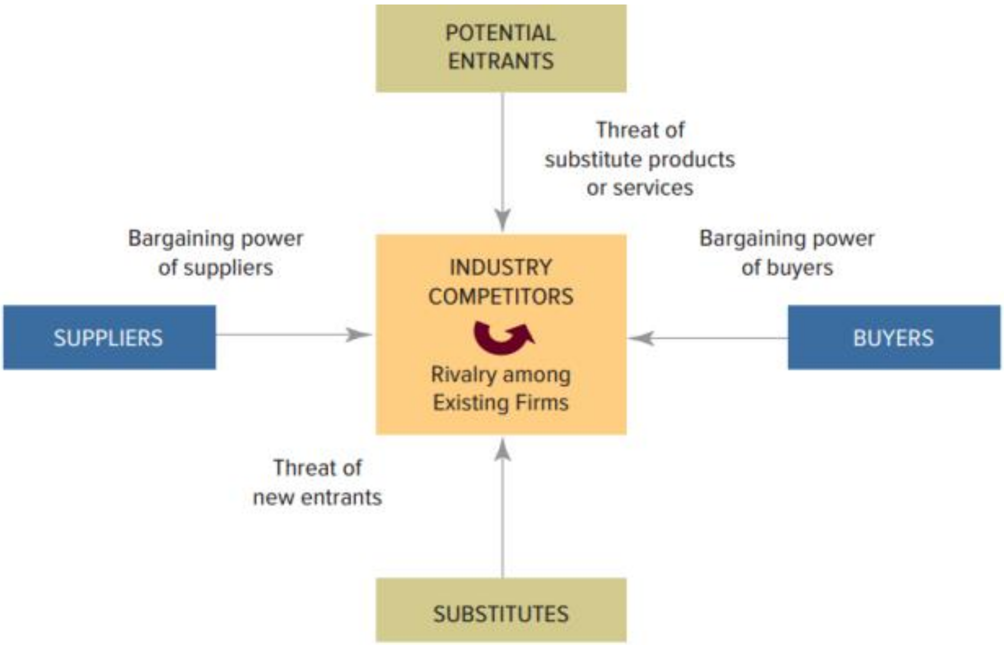
a) Using Michael Porter's Five Forces Model, **analyse the nature of competition faced by GIL in the cement production industry.**

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

1. The threat of new entrants.
2. The bargaining power of buyers.
3. The bargaining power of suppliers.
4. The threat of substitute products and services.
5. The intensity of rivalry among competitors in an industry.

Each of these forces affects a firm's ability to compete in a given market. Together, they determine the profit potential for a particular industry. The model is shown in Figure 1.1.

Figure 1.1: Porter's Five Forces Model of Industry Competition



- **The Threat of New Entrants**

The threat of new entrants refers to the possibility that the profits of established firms in the industry may be eroded by new competitors. The extent of the threat depends on existing barriers to entry and the combined reactions from existing competitors.

GIL's raw materials include limestone, shells, and chalk or marl combined with shale, clay, slate, blast furnace slag, silica sand, and iron ore. It has been indicated that these items are mostly high bulk and involve a relatively high cost of transportation to GIL's factories. For example, for every tonne of cement produced, GIL's transports approximately 1.8 tonnes of raw materials. These factors indicate that there are high barriers to entry into Rwanda's cement industry. This is cemented by the fact that costs as much as Frw 200 Billion to set up a new cement production company. Further, the industry has a long gestation period. This makes it hard for new companies to enter this industry.

- **The Bargaining Power of Buyers**

Buyers threaten an industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other. These actions erode industry profitability. The power of each large buyer group depends on attributes of the market situation and the importance of purchases from that group compared with the industry's overall business.

We understand from the case study that the majority of the customers for the cement in Rwanda are bulk buyers. These mainly include large construction companies, big corporate companies who wish to build their massive offices, and government through its Public Private Partnerships in the infrastructure sector. Since these construction companies and corporate companies are thought to be many in the country, it can be concluded that buyers have low power. Because there are no substitutes and there are few cement manufacturing companies, this also suggests that the power of buyers is low.

- **The Bargaining Power of Suppliers**

Suppliers can exert bargaining power by threatening to raise prices or reduce the quality of purchased goods and services. Powerful suppliers can squeeze the profitability of firms so far that they cannot recover the costs of raw material inputs. The factors that make suppliers powerful tend to mirror those that make buyers powerful.

In Rwanda's cement industry, suppliers exert a very high power. This is because lack or shortage of any of the raw materials negatively affects the cement production process because it is impossible to continue production without the raw material. This means that suppliers can make life hard for GIL by restricting supply or increasing the cost of raw materials. However, given that raw materials are controlled by the government of Rwanda and all cement production companies must buy rights from the government to set up a cement production plant, it can also be concluded that suppliers have moderate power.

- **The Threat of Substitute Products and Services**

All firms within an industry compete with industries producing substitute products and services. Substitutes limit the potential returns of an industry by placing a ceiling on the prices that firms in that industry can profitably charge. The more attractive the price/performance ratio of substitute products, the tighter the lid on an industry's profits.

It is obvious from the case study that there are no substitute cement products. Although there is imported cement on the market, it is usually expensive due to importation costs. This leaves customers with only locally produced cement. There are also no known products that can effectively replace cement in the construction industry in Rwanda.

- **The Intensity of Rivalry among Competitors in an Industry**

Firms use tactics like price competition, advertising battles, product introductions, and increased customer service or warranties. Rivalry occurs when competitors sense the pressure or act on an opportunity to improve their position.

It appears that the extent of rivalry in the cement industry in Rwanda is intense. This is because cement companies race against each other so closely. It has been also indicated that the high capital requirements often make it hard for companies to exit the industry, hence leading to aggressive competition between existing companies. This coupled with the fact that there's no differentiation between cement products produced by cement companies means that companies have to aggressively compete for the market share.

b) Use sustainability related information and answer the following questions:

i. Analyse the ethical challenges faced by GIL as a cement production company.

Ethics have been defined as the discipline dealing with what is good or bad, and with moral duty and obligation. An Ethic is a set of moral principles. "Business ethics involve corporate recognition of - and compliance with - a paradigm that provides common recognition of and the need to practice proper behaviour." Business ethics are even more complex, because the consequences of unethical behaviour are sometimes very costly to a business organisation and its human resources.

GIL is likely to face the following ethical challenges:

- **Environmental Impact:**

Cement production is a significant source of carbon dioxide emissions and other pollutants. Ethical concerns arise regarding how GIL manages its environmental footprint, including air and water pollution, land degradation, and biodiversity impacts.

- **Health and Safety of Workers:**

Cement manufacturing involves hazardous materials and processes that can pose risks to workers' health and safety. Ethical issues may arise if GIL does not prioritize adequate safety measures, training, and healthcare for its employees.

- **Community Impact:**

It has been indicated that GIL's Cement plant often affects nearby communities through noise, dust, traffic, and changes in local water and air quality. Ethical concerns arise regarding how GIL engages with and supports affected communities, including respecting their rights, providing fair compensation, and mitigating negative impacts.

- **Labor Practices:**

Ethical issues can arise from labor practices within GIL, including working conditions, wages, benefits, and adherence to labor laws and human rights standards. This includes issues such as forced labor, child labor, and discrimination.

ii. Recommend strategies to appropriately manage the challenges in (i) above.

Here are recommended strategies that GIL (the hypothetical cement production company) can implement to appropriately manage the ethical challenges mentioned:

- **Environmental Impact**:

To address environmental impact, GIL should prioritize sustainable practices such as investing in alternative fuels and renewable energy sources, adopting efficient kiln technologies, and enhancing overall energy efficiency. They should establish robust environmental management systems (EMS) to monitor and improve environmental performance, while engaging stakeholders including environmental NGOs, local communities, and regulators to ensure transparency and accountability in environmental management.

- **Health and Safety of Workers**:

GIL needs to implement stringent safety protocols, provide comprehensive training on hazard identification and safe work practices, and offer healthcare benefits and regular health screenings to mitigate occupational health risks.

- **Community Impact**:

Community impact can be managed by fostering open dialogue with local communities, conducting regular social impact assessments, and investing in corporate social responsibility (CSR) initiatives that address community needs and enhance local well-being.

- **Labor Practices**:

GIL should adhere strictly to labor laws and international standards, ensure fair wages and working conditions, educate employees about their rights, and conduct regular audits of suppliers to uphold ethical labor practices throughout their supply chain.

c) Draft an email to GIL's Chief Executive Officer (CEO) containing training content covering the following leadership aspects:

From: Strategic Management Consultant

To: Chief Executive Officer (CEO), GIL

30 August 2024

Dear CEO,

I would like to present to you the content for the upcoming top management training for your review and approval:

i. **Key Strategic Leadership actions that GIL's top management should focus on to contribute to the performance of the organisation.**

Strategic Leadership is: “The managerial ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary”.

The top management of GIL should consider the following actions if it wishes to contribute to the performance of the organisation:

- **Determining Strategic Direction**

The senior management team at GIL must articulate a compelling vision for the organization's future, outlining core values and guiding principles. This vision should inspire and align employees towards shared long-term goals, guiding strategy formulation and implementation. Effective communication and continual reinforcement of this vision throughout the organization are essential for its impact and adoption.

- **Exploiting and Maintaining Core Competencies**

GIL's senior management must ensure that the company's core competencies, such as technological expertise and operational efficiency in cement manufacturing, are continually developed and leveraged to maintain competitive advantage. These competencies should be integrated into the company's strategic framework to drive innovation and differentiation within the industry.

- **Developing Human Capital**

Investing in human capital is crucial for GIL's success in a globalized and competitive market. Senior management should prioritize training and development programs to enhance employee skills and capabilities, recognizing that well-trained personnel are a sustainable source of competitive advantage. Active support and budget allocation from management are critical to the effectiveness of these initiatives.

- **Sustaining an Effective Organisational Culture**

Organizational culture plays a pivotal role at GIL, shaping how strategies are executed and influencing employee behavior and performance. Senior management should cultivate a strong, positive culture aligned with the company's values and goals. This includes fostering an environment that supports entrepreneurial spirit and innovation, ensuring that culture serves as a competitive asset and facilitates strategic implementation.

- **Emphasising Ethical Practices**

GIL's strategic effectiveness hinges on a foundation of strong ethical principles and a culture that promotes integrity and transparency. Senior management must lead by example in ethical behavior, establishing robust compliance processes to uphold ethical standards across the organization. This approach mitigates risks associated with opportunistic behavior among staff and management, reinforcing GIL's reputation as an ethical leader in the cement industry.

ii. The CEO should do the following to set a strategic direction for GIL.

- **Future Focused**

GIL's strategic direction should project a forward-looking perspective, envisioning where the company aims to be in the next five to ten years. It should anticipate future trends in cement manufacturing, sustainability, and market demands, guiding the organization towards long-term success and growth.

- **Directional**

The strategic vision for GIL serves as a compass, providing clear guidance for organizational plans and strategies. It should outline specific objectives and milestones that direct decision-making processes at all levels, ensuring alignment and coherence in pursuing strategic goals.

- **Relevant and Purpose-Driven**

GIL's strategic direction should reflect a proactive response to current industry challenges and opportunities. It should articulate how the company's activities contribute to sustainable development, technological innovation, and community engagement, aligning with a broader purpose that drives meaningful impact.

- **Values-Based**

Embedded within GIL's strategic vision are core values that define the company's culture and operations. These values serve as guiding principles, shaping ethical conduct, stakeholder relationships, and decision-making processes across the organization.

- **Challenging**

GIL's strategic vision should set ambitious goals that challenge employees to strive for excellence and surpass industry standards. It should inspire a culture of continuous improvement and innovation, motivating individuals to push boundaries and achieve higher levels of performance.

- **Unique and Memorable**

GIL's strategic direction should highlight distinctive strengths and capabilities that differentiate the company within the cement manufacturing industry. It should be crafted in a way that leaves a lasting impression on stakeholders, emphasizing what makes GIL stand out and why its mission is significant.

- **Inspiring**

GIL's strategic vision should be compelling and motivational, capturing the imagination and commitment of employees, investors, and customers alike. It should articulate a compelling narrative that ignites enthusiasm and dedication towards achieving shared goals and realizing GIL's vision for the future.

I hope the above meets your company’s needs. I am also available to meet should you wish to discuss this material further.

Yours Sincerely,

Strategic Management Consultant

SECTION B

QUESTION TWO

Marking Guide:

QN	Description	Marks	Total Marks
a	Analysing the stage of the Product Life Cycle (PLC) for each of the following products of ICL: A good answer should be clearly explained and tailored to the case study by classifying each product of ICL into each of the four stages of the PLC		
	Award 2 marks for a brief explanation or definition of The “PLC” model	2	
	Award 1 mark for any valid diagram of the “PLC” model	1	
	Introduction - Soma Berry Sparkle (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor. Do not award marks if the drink selected is incorrect)	2	
	Growth - Gotomera Fusion (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor. Do not award marks if the drink selected is incorrect)	2	
	Maturity - Ryoherwa Quench (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor. Do not award marks if the drink selected is incorrect)	2	
	Saturation/Decline - Ruhuka Splash (Award 2 marks for a valid analysis of this point in relation to the case study. Award 1 mark if the explanation is too short, incorrect or poor. Do not award marks if the drink selected is incorrect)	2	
	Recommending appropriate strategies for ICL to maximise the lifecycle potential of each product: Award 1 mark for any 1 correctly described strategy for each product (5 maximum marks). Award 0.5 marks if the point is not clear. Other correct answers not in the model answer are acceptable.		
	Soma Berry Sparkle (Introduction Stage) - Award 1 mark for any one valid strategy	1	
	Gotomera Fusion (Growth Stage) - Award 1 mark for any one valid strategy	1	

QN	Description	Marks	Total Marks
	Ryoherwa Quench (Maturity Stage) - Award 1 mark for any one valid strategy	1	
	Ruhuka Splash (Decline Stage) - Award 1 mark for any one valid strategy	1	15
b	Compare and contrast Deliberate strategy development and Emergent strategy development: A good answer should discuss how the two methods compare or how they differ against various aspects Award 2 marks for each correct comparison or difference between the two methods (4 maximum points = 8 marks) Other ways of comparison offered by candidates but not mentioned in the case study are acceptable		
	Award 1 mark for a brief explanation or definition of each method (1 mark for deliberate and 1 mark for emergent)	2	
	Nature of Development	2	
	Flexibility vs. Predictability	2	
	Risk Management	2	
	Role of Leadership	2	10
	Total Marks		**25**

Model Answer:

a) Based on the information provided in the case study about ICL's product portfolio, **analyse the stage of the Product Life Cycle (PLC) for each of the following products.**

Products are like people they are born (introduced) grow, mature, and decline and eventually die. The PLC identifies the stage that a product may go through from the moment it is launched (see Figure 2.1 below):

Figure 2.1: The Product Life Cycle (PLC)

- **Introduction - Soma Berry Sparkle:**

The product is launched, competition tends to be limited or non-existent. Growth is usually rapid and profits are non-existent. A period of slow sales growth as the product is introduced in the market. Profits are nonexistent because of the heavy expenses of product introduction.

These characteristics are demonstrated by Soma Berry Sparkle. It is believed that Soma Berry Sparkle is in the introduction stage because it has been suggested in the case study represents a recent addition to ICL's product range and initial market reception has shown promising sales growth among the targeted demographics, indicating a positive trajectory into the growth stage. However, this product is not yet profitable due to high expenses. All these are features of a product at the introduction stage.

- **Growth - Gotomera Fusion:**

At this stage, mass-market acceptance will take place through early adopters, profits should emerge and initial costs covered. This is a period of rapid market acceptance and substantial profit improvement.

It appears that Gotomera Fusion meets the features of a product at this stage of the PLC. This is mainly because it has been suggested that it is enjoying increased market penetration and growing consumer loyalty. Furthermore, we also learn that Gotomera Fusion has expanded its distribution channels and gained traction in mainstream markets. Its rapid sales growth positions it as a key revenue driver for ICL, with ongoing efforts focused on sustaining and capitalizing on its market success. ICL must continue to devise appropriate strategies to sustain the success of this product.

- **Maturity - Ryoherwa Quench:**

Representing the most competitive stage in the life cycle, early and late majority begin to adopt, and competitors introduce counter measures, advertising and promotion campaigns concentrate on reminding consumers and rewarding loyalty for use of products. A slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition.

Ryoherwa Quench seems to meet the above characteristics mainly because it has been stated that this drink is a staple in ICL's portfolio. Furthermore, this drink is established as a market leader in its segment and it benefits from strong brand recognition and customer loyalty. To continue to milk benefits from Ryoherwa Quench, ICL must continue to implement strategies to maintain its success as long as it can possibly do by, for instance, using advertising and promotion campaigns to remind consumers and reward loyalty for use of this drink.

- **Saturation/Decline - Ruhuka Splash:**

At this stage, there are many competitors in the marketplace, profits per unit are in decline and there is no growth in sales. Decline, slow but accelerated decline in sales and profits, the product may be withdrawn from the market. Sales show a downward drift and profits erode.

It is stated that Ruhuka Splash has faced declining sales attributed to evolving consumer preferences and limited market appeal beyond its niche audience. This makes it suited for this stage of the PLC. It seems ICL is appropriately managing this stage as it is focusing is on managing inventory, minimizing costs, and redirecting resources towards new product innovations that align with current market trends.

Recommended appropriate strategies for ICL to maximise the lifecycle potential of each product.

ICL should consider the following strategies to maximise the lifecycle potential of each product, considering market dynamics and consumer trends in the non-alcoholic beverage industry:

- **Soma Berry Sparkle (Introduction Stage):**

To maximize the lifecycle potential of Soma Berry Sparkle, ICL should focus on building brand awareness and expanding market reach. Strategies could include aggressive marketing campaigns targeting health-conscious consumers through digital platforms, influencer collaborations, and sampling programs at health and wellness events. Pricing strategies should balance premium positioning with affordability to attract early adopters and drive trial purchases. Continuous product innovation, such as introducing new flavors or packaging variations, can help sustain consumer interest and accelerate market acceptance. Additionally, forming strategic partnerships with retailers and distributors can enhance product visibility and availability in key markets.

- **Gotomera Fusion (Growth Stage):**

ICL should maintain marketing expenditures or raise them slightly to meet competition and continue to educate the market. Sales rise much faster than marketing expenditures, causing a welcome decline in the marketing-to-sales ratio. Profits increase as marketing costs are spread over a larger volume, and unit manufacturing costs fall faster than price declines, owing to the producer-learning effect. ICL must watch for a change to a decelerating rate of growth in order to prepare new strategies.

To sustain rapid market share growth now, ICL should consider:

- improving product quality and adds new features and improved styling.
- adding new models and flanker products (of different sizes, flavors, and so forth) to protect the main product.
- entering new market segments.
- increasing its distribution coverage and enters new distribution channels.
- shifting from awareness and trial communications to preference and loyalty communications.
- lowering prices to attract the next layer of price-sensitive buyers.

By spending money on product improvement, promotion, and distribution, ICL can capture a dominant position. It trades off maximum current profit for high market share and the hope of even greater profits in the next stage.

- **Ryoherwa Quench (Maturity Stage):**

For Ryoherwa Quench in the maturity stage, the focus should be on maintaining market share and maximizing profitability through strategic pricing and cost management. Implementing cost-effective production methods and supply chain efficiencies can optimize margins without compromising product quality. Enhancing brand equity through targeted marketing efforts that emphasize product benefits, such as hydration and natural ingredients, can reinforce consumer loyalty. Three ways to change the course for a brand are market, product, and marketing program modifications:

- Market Modification: ICL might try to expand the market for its mature brand by working with the two factors that make up sales volume, number of brand users and usage rate per customer but competitors may match this strategy.
- Product Modification Managers also try to stimulate sales by improving quality, features, or style. Quality improvement increases functional performance by launching a “new and improved” product. Feature improvement adds size, weight, materials, supplements, and accessories that expand the product’s performance, versatility, safety, or convenience. Style improvement increases the product’s esthetic appeal.
- Marketing Program Modification: Finally, ICL might also try to stimulate sales by modifying non-product elements—price, distribution, and communications in

particular. They should assess the likely success of any changes in terms of their effects on new and existing customers.

- **Ruhuka Splash (Decline Stage):**

In managing Ruhuka Splash through the decline stage, ICL should focus on minimizing costs while phasing out the product gracefully. ICL is already doing this as we can learn from the case study because it is implementing inventory management strategies to reduce excess stock and avoid markdowns can mitigate financial losses. As sales and profits decline, some ICL may withdraw. If it decides to remain, it should reduce the number of products it offers, exiting smaller segments and weaker trade channels, cutting marketing budgets, and reducing prices further. Unless strong reasons for retention exist, carrying a weak product is often very costly.

ICL should also consider redirecting resources towards new product development that aligns with current consumer preferences, such as functional beverages or plant-based alternatives, can capitalise on emerging trends and maintain relevance in the competitive market. Communicating openly with remaining loyal customers about the phase-out process and offering incentives for transitioning to new products can help retain brand loyalty and mitigate negative sentiment.

b) Compare and contrast Deliberate strategy development and Emergent strategy development as two methods of strategy formulisation currently considered by the senior management of ICL.

Strategy formulisation is the analysis of both the internal strengths and weaknesses of an organisation and the external opportunities and threats as well as identifying the strategic options that can be taken by the organisation. Strategic formulisation may occur in a variety of ways. ICL is only considering two ways, which are Deliberate strategy development and Emergent strategy development.

These are compared and contrasted as follows:

Deliberate strategy development:

Based upon the ‘classical’ management school of logical decision making, it is the analysis and evaluation of strategic alternatives, sometimes referred to as the rational model. It is rare that a planned strategy is realised due to the dynamics of the business environment.

Deliberate strategy involves intentional formulation or planning. Such intentionality may take different forms. It could be the intentionality of a strategic leader, for example the CEO of ICL or the founder of ICL. It could be through a process of strategic planning involving many managers. Or it might be experienced as the external imposition of strategy formulated elsewhere.

Emergent strategy development:

Henry Mintzberg suggests that good ideas never come from the boardroom, that in fact the excellent companies allow strategy to emerge from its employees. A suggestion box is an example of this at a basic level. The problem with this strategy is how to manage the process so the good ideas emerge.

Although strategy development is often described as though it is the deliberate intention of top management, an alternative explanation is that of emergent strategy: that strategies emerge based on a series of decisions, which forms a pattern that becomes clear over time. This explains an organisation's strategy, not as a 'grand plan', but as a developing 'pattern in a stream of decisions' where top managers draw together emerging themes of strategy from various decisions and directions, rather than formulating it directly from the top.

These two methods compare or differ in the following ways:

- **Nature of Development**:

Deliberate strategy is planned and intentional, focusing on achieving predetermined objectives through structured processes. Emergent strategy, on the other hand, evolves organically through learning, adaptation, and ongoing adjustments based on real-time feedback and environmental changes.

- **Flexibility vs. Predictability**:

Deliberate strategy offers predictability and stability, providing a clear roadmap for achieving long-term goals. Emergent strategy prioritizes flexibility and responsiveness, allowing organizations to capitalize on emerging opportunities and navigate uncertainties effectively.

- **Risk Management**:

Deliberate strategy aims to minimize risks through comprehensive analysis and planning, whereas emergent strategy manages risks by encouraging experimentation and learning from failures.

- **Role of Leadership**:

In deliberate strategy, senior management plays a central role in decision-making and setting strategic direction. In emergent strategy, leadership focuses on creating an environment conducive to innovation, learning, and decentralised decision-making.

QUESTION THREE

Marking Guide:

QN	Description	Marks	Total Marks
a	Analysing the role of RIL in creating or potentially destroying value for the organization: A good answer should explain both value creating and value destroying activities of RIL as a corporate parent Alternative valid answers offered by candidates but not in the model answer are acceptable		
	Award 2 marks for a brief explanation or definition of a corporate parent	2	
	Award 2 marks for each correctly discussed value creating activity (3 maximum activities * 2 marks = 6 marks). Award 1 mark if the answer is not clearly explained or not explained. Consider other valid answers	6	
	Award 2 marks for each correctly discussed value destroying activity (2 maximum activities * 2 marks = 4 marks). Award 1 mark if the answer is not clearly explained or not explained. Consider other valid answers	4	12
b	Using the Results Chain method of post strategy evaluation to evaluate how successful the EcoPower Rwanda Expansion Project has been in achieving its desired impact: A good answer should clearly identify and describe inputs, activities, outputs, outcomes, and the goal or impact of the EcoPower Rwanda Expansion Project from the case study		
	Award 2 marks for a brief explanation or definition of a results chain	2	
	Award 1 mark for any valid diagram of a results chain	1	
	Inputs (Award 1 mark for each correctly example of this category from the case study. Maximum 2 marks)	2	
	Activities (Award 1 mark for each correctly example of this category from the case study. Maximum 2 marks)	2	
	Outputs (Award 1 mark for each correctly example of this category from the case study. Maximum 2 marks)	2	
	Outcomes (Award 1 mark for each correctly example of this category from the case study. Maximum 2 marks)	2	
	Goal (impact) (Award 1 mark for correctly identifying the goal and 1 mark for a correct final evaluation of whether the company achieved the goal)	2	13
	Total Marks		**25**

Model Answer:

a) Based on the information provided in the case study about RIL's business units, **analyse the role of RIL in creating or potentially destroying value for the organization.** *Hint: Discuss specific examples of value creation with EcoPower Rwanda and potential value-destroying activities with TechCom Solutions.*

As many organisations contain business units, managing these units becomes a challenge at corporate level. To ensure value is created among these units, a corporate parent has two main concerns: first the strategic decisions about the scope of an organisation i.e. the diversity of products and the geographical or international diversity of the business units and secondly how is value added or destroyed. This requires an understanding of the different parenting roles the corporate level might play and how it seeks to manage its portfolio of interests.

In light of the opposing views in the BoD of RIL, these are following ways in which RIL could be creating value especially in EcoPower Rwanda:

- **Envisioning**

RIL can provide a clear overall vision or strategic intent for its business units. This should guide and motivate business unit managers to maximise corporation-wide performance through commitment to a common purpose. Envisioning should also provide stakeholders with a clear external image about what the organization as a whole is about: to reassure shareholders about the rationale for having a diversified strategy in the first place. Finally, a clear vision provides a discipline on the corporate parent to stop its wandering into inappropriate activities or taking on unnecessary costs. It is possible that RIL is doing this right.

- **Facilitating synergies**

RIL is probably facilitating cooperation and sharing across business units, so improving synergies from being within the same corporate organisation. This is often achieved through incentives, rewards and remuneration schemes.

- **Coaching**

RIL can help its business unit managers develop capabilities, by coaching them to improve their skills and confidence. This is evidenced in the case where it is noted that the company is sharing expertise in EcoPower Rwanda. Further, corporate-wide management courses are one effective means of achieving these objectives, as bringing managers across the business to learn strategy skills also allows them to build relationships between each other and perceive opportunities for cooperation.

- **Providing central services and resources**

RIL can provide capital for investment as well as central services such as treasury, tax and human resource advice. If these are centralized they may have sufficient scale to be efficient and can build up relevant expertise. Centralised services often have greater leverage: for example, combining many business unit purchases increases bargaining power for shared inputs such as energy. This leverage can be helpful in brokering with external bodies, such as government regulators, or other companies in negotiating alliances. Finally, the centre can have an important role in managing expertise within the corporate whole, for instance by transferring managers across the business units or by creating shared knowledge management systems via corporate intranets. For EcoPower Rwanda to be successful, it is possible that RIL is providing these services to it.

- **Intervening**

Finally, RIL can also intervene within its business units to ensure appropriate performance. RIL should be able to closely monitor business unit performance and improve performance either by replacing weak managers or by assisting them in turning around their businesses. The parent can also challenge and develop the strategic ambitions of business units, so good businesses are encouraged to perform even better. It seems RIL is correctly making good interventions with EcoPower Rwanda as opposed to TechCom Solutions where hesitation to intervene has costed the subsidiary.

RIL could, however, be destroying value in TechCom Solutions by doing the following activities:

- **Adding management costs**

Most simply, corporate staff and facilities are expensive. Corporate staff are typically the best-paid managers with the most luxurious offices. It is the actual businesses that have to generate the revenues that pay for them and if RIL costs are greater than the value it creates, then corporate staff are net value-destroying. This could be the challenge with TechCom Solutions.

- **Adding bureaucratic complexity**

As well as these direct financial costs, there is the 'bureaucratic fog' created by an additional layer of management and the need to coordinate with sister businesses. These typically slow down managers' responses to issues and lead to compromises between the interests of individual businesses. RIL needs to examine whether this is not the plague with TechCom Solutions given it is struggling to create value.

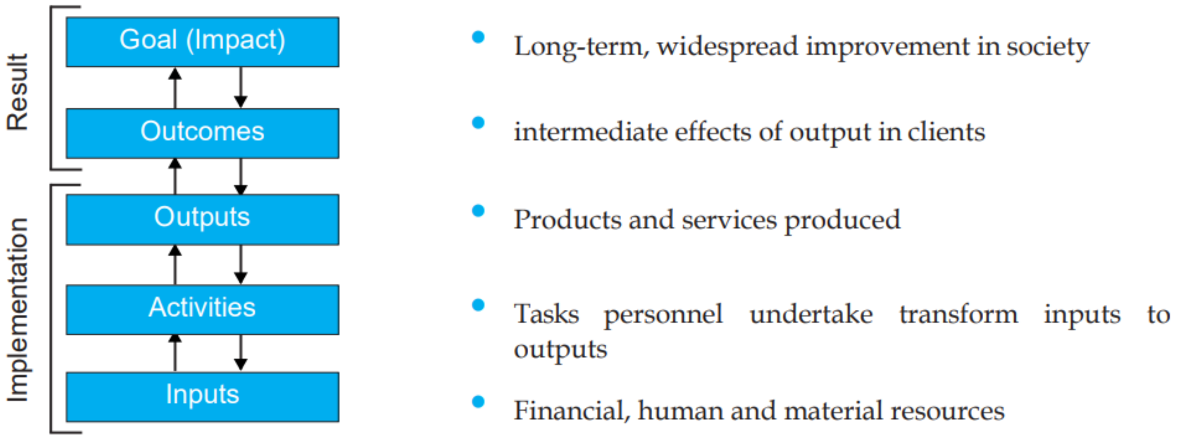
- **Obscuring financial performance**

One danger in a large, diversified company is that the underperformance of weak businesses can be obscured. Weak businesses might be cross-subsidised by stronger ones. Internally, the possibility of hiding weak performance diminishes the incentives for business unit managers to strive as hard as they can for their businesses: they have a parental safety net. Externally, shareholders and financial analysts cannot easily judge the performance of individual units within the corporate whole. Diversified companies' share prices are often marked down, because shareholders prefer the 'pure plays' of standalone units, where weak performance cannot be hidden. Luckily, this does not appear to be the case with RIL as analysts have been able to identify the issues with TechCom Solutions. However, RIL should continue to deep dive in the performance of other subsidiaries to ensure there are no obscured underperformances.

b) Using the Results Chain method of post strategy evaluation, **evaluate how successful the EcoPower Rwanda Expansion Project has been in achieving its desired impact.**

A results chain is a tool that shows how a project team believes a particular action it takes will lead to some desired result. In essence, results chains are diagrams that map out a series of causal statements that link short-, medium-, and long-term results in an "if…then" fashion. Figure 3.1 demonstrates the results chain process.

Figure 3.1: A result Chain



Below is an evaluation of how successful the EcoPower Rwanda Expansion Project has been in achieving its desired impact:

- **Inputs**

RIL allocated Frw 200 million and expertise in renewable energy technology to EcoPower Rwanda. These financial and managerial commitments facilitated the expansion of solar energy installations and customer base, which is a positive contribution.

- **Activities**

EcoPower Rwanda undertook activities such as expanding solar panel installations, upgrading infrastructure, and enhancing operational efficiency to increase renewable energy production capacity. These activities contributed to significant changes towards the company's main goal.

- **Outputs**

It is reported that within a year of the EcoPower Rwanda Expansion Project initiation, the project has increased megawatts of solar energy generated by 50%, expanded customer base through new installations by 20%. It appears, however, that it is yet to improve operational processes in energy distribution. Perhaps collaboration with the wider organizational departments could help expedite these changes.

- **Outcomes**

The above outputs resulted in positive outcomes such as reduced reliance on fossil fuels by 30%. This, however, falls slightly short of the desired outcome of 40% target. It has also resulted in improved access to clean energy in rural areas and enhanced environmental sustainability through reduced carbon emissions.

- **Goal (Impact)**

The overarching goal of the EcoPower Rwanda Expansion Project was to contribute to Rwanda's energy security by providing reliable and sustainable renewable energy solutions, thereby fostering economic development and environmental conservation.

In my assessment, the EcoPower Rwanda Expansion Project has been largely successful in achieving its desired impact. The alignment between inputs, activities, outputs, outcomes, and the overall goal demonstrates effective strategic planning and execution by RIL. The significant increase in solar energy capacity and expanded access to clean energy reflect positive outcomes that contribute to Rwanda's sustainable development goals. RIL's strategic oversight and resource allocation were instrumental in maximizing the project's impact. The company should continue to monitor and adapt to market dynamics for better results.

QUESTION FOUR

Marking Guide

QN	Description	Marks	Total Marks
a (i)	Using a diagram to identify and illustrate RCL's organizational structure:		
	Award 1 mark if a candidate correctly identifies RCL's structure as 'divisional'	1	
	For the following marks, only award the marks if each of the following is presented in a diagrammatic format resembling a divisional hierarchical diagram. If the answer is not presented in a valid diagrammatic format, do not award any marks:		
	Head office (Award 0.5 marks)	0.5	
	Corporate Services (Award 0.5 marks)	0.5	
	AgroPro Division (Award 0.5 marks)	0.5	
	TechSolutions Division (Award 0.5 marks)	0.5	
	EcoBuild Division (Award 0.5 marks)	0.5	
	Any one product in AgroPro Division (Award 0.5 marks)	0.5	
	Any one product in TechSolutions Division (Award 0.5 marks)	0.5	
	Any one product in EcoBuild Division (Award 0.5 marks)	0.5	5
a (ii)	Evaluation of benefits and challenges of a divisional structure: A good answer should clearly explain each point in relation to the RCL case study A maximum of 3 benefits and 2 challenges. Each answer has 2 marks = 10 marks Other answers offered by candidates but not in the model answer are acceptable		
	Benefits (Award 2 marks for each valid explained point. Award 1 mark if not explained. 3 maximum points)	6	
	Challenges (Award 2 marks for each valid explained point. Award 1 mark if not explained. 2 maximum points)	4	10
b (i)	Construct a fully labelled critical path network: Answers should be presented in a critical path network format with forward and backward methods and should clearly indicate the activity, duration and start and end times		

QN	Description	Marks	Total Marks
	Activity A (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	
	Activity B (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	
	Activity C (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	
	Activity D (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	
	Activity E (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	
	Activity F (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	
	Activity G (Award 1 mark if the duration, start times, and end times are correct. Award 0.5 marks if not all of them are accurate)	1	7
b (ii)	Activities along the project critical path:		
	Award 1 mark if a candidate correctly identifies these activities as B > F	1	1
b (iii)	Advise if the RCL will complete the project in 35 weeks or not:		
	Award 1 mark for a correct answer (Yes)	1	
	Award 1 mark for a correct explanation or reason	1	2
	Total Marks		**25**

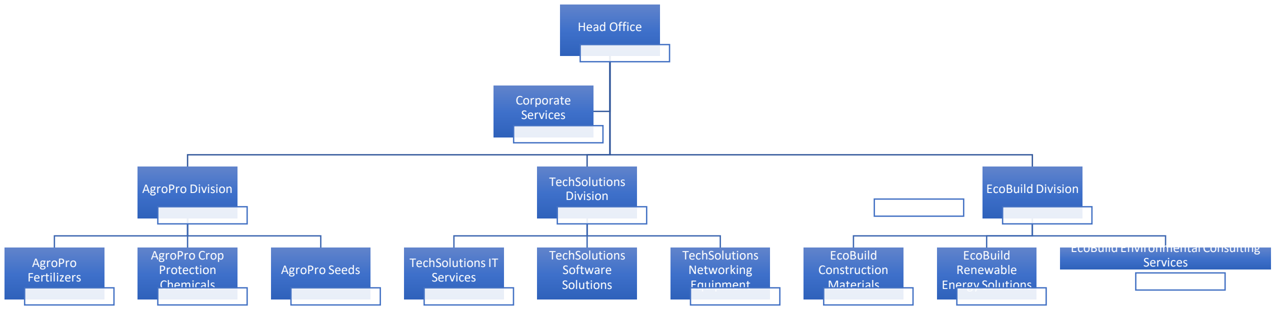
Model Answer:

a) Based on the information provided in the case study about RCL's structure, answer the following:

i. Use a diagram to identify and illustrate RCL's organizational structure.

Information provided in the case study clearly shows that RCL uses a **divisional organizational structure**. A divisional structure is built up of separate divisions on the basis of products, services or geographical areas. Under divisionalisation, divisional managers typically have sufficient freedom to respond to the specific requirements of their product/market strategy, using their own set of functional departments. This is evident in the case study especially where it is indicated that each division has autonomy to make decisions about its products in relation to market and product dynamics. Figure 4.1 below demonstrates RCL's organizational structure based on the information provide din the case study:

<u>Figure 4.1: RCL's organizational structure</u>



ii. **Evaluate the potential benefits and challenges associated with the organizational structure in (i) in achieving overall corporate goals and maintaining competitiveness in Rwanda's dynamic business environment.**

Potential benefits associated with a divisional structure:

- **More Detached Head Office Control**

Rwanyonga Company Ltd (RCL) benefits from a divisional structure that allows each division significant autonomy in decision-making and operations. This detachment from centralized control enables divisions like AgroPro, TechSolutions, and EcoBuild to respond swiftly to local market dynamics and customer needs. By empowering divisional managers to make decisions aligned with their specific market contexts, RCL enhances operational agility and efficiency. This approach not only reduces bureaucratic delays but also ensures that resources are allocated optimally, supporting strategic priorities and maximizing divisional performance.

- **Divisions Develop Specialized Expertise**

RCL's divisional structure fosters the development of specialized expertise within each division. For instance, AgroPro focuses on agricultural inputs, TechSolutions specializes in IT services, and EcoBuild concentrates on sustainable construction materials. This specialization enables divisions to deepen their industry knowledge, innovate more effectively, and deliver tailored solutions that meet the unique demands of their respective markets. By nurturing specialized skills and competencies, RCL enhances its competitive advantage, strengthens market leadership, and sustains high levels of customer satisfaction across diverse product lines and service offerings.

- **Strategic Flexibility in Entering and Exiting Business Areas**

The divisional structure at RCL provides strategic flexibility by allowing each division to independently assess and pursue market opportunities or adjust business strategies as needed. This flexibility enables RCL to capitalize on emerging trends, innovate new products or services, and effectively manage risks associated with market fluctuations. By empowering divisions to make informed decisions about market entry or exit, RCL mitigates risks and optimizes resource allocation, thereby enhancing overall business resilience and adaptability in dynamic business environments.

The following are **potential challenges** of this structure to RCL:

- **Functional Duplication**

RCL may face challenges related to functional duplication within its divisional structure. Each division, such as AgroPro, TechSolutions, and EcoBuild, operates semi-autonomously with its own support functions, including finance, HR, marketing, and IT. This decentralization can lead to duplication of efforts and resources across divisions. For example, multiple divisions might independently invest in similar technology platforms or duplicate administrative functions. This redundancy not only increases operational costs but also complicates coordination and integration efforts across the organization.

- **Risk of Excessive Autonomy**

While autonomy empowers divisions to make decisions aligned with their specific market needs, it also poses risks for RCL. Excessive autonomy may result in inconsistent strategic direction, conflicting priorities, and divergent operational practices across divisions. For instance, variations in quality standards or customer service levels among divisions could undermine RCL's overall brand reputation and customer satisfaction. Moreover, divisions with excessive autonomy might overlook broader corporate objectives or fail to leverage shared resources effectively.

- **Fragmentation and Low Cooperation**

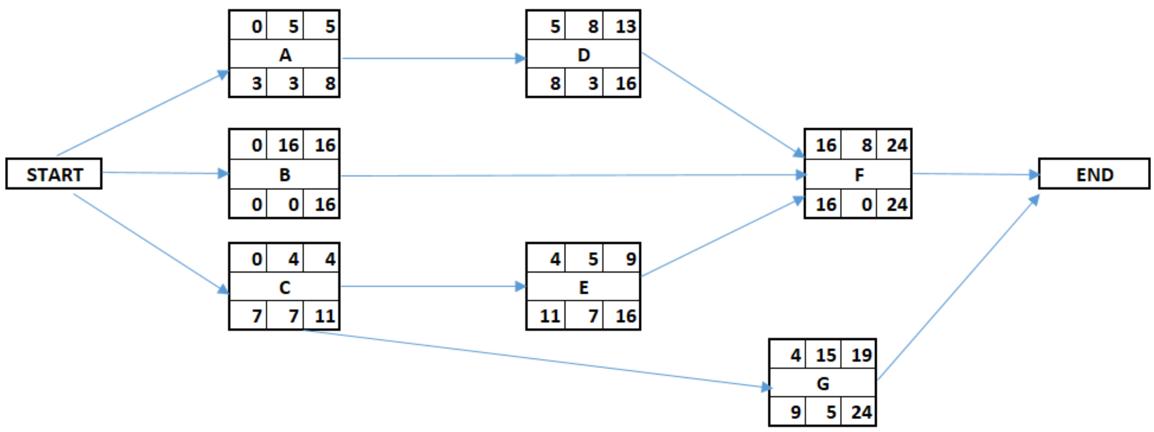
Fragmentation and low cooperation can emerge as challenges within RCL's divisional structure. Divisions focused on specialized product lines or market segments may prioritize divisional goals over collective organizational objectives. This silo mentality can hinder collaboration, knowledge sharing, and joint innovation initiatives across divisions. For example, limited cooperation between AgroPro, TechSolutions, and EcoBuild may impede cross-functional projects or joint marketing efforts that could benefit the entire organization.

b) Using the EcoBuild's Construction Project information:

i. Construct a fully labelled critical path network.

Figure 4.2 demonstrates EcoBuild's project activities in a critical path new work:

Figure 4.2: The critical path network of EcoBuild's Construction Project



ii. Which activities form the project critical path?

The critical path is identified by finding the nodes where Earliest Start = Latest Start. These are nodes for which there is no 'slack' or spare time for a task in the project. Or where slack or float is zero (0).

Based on this, the critical path is B > F.

iii. Advise if the RCL will complete the project in 35 weeks or not. Explain your answer.

From the critical path network in (i) above, the project will last 39 weeks. It is the longest time that the project can take. These can also be obtained by adding durations for the activities along the critical path = F + G = 16 + 8 = 24 weeks.

Based on this outcome, it is evident that RCL **will be able** to complete the project in 35 weeks. This will allow some buffer time in case of any delays in non-critical activities.

End of Marking Guide and Model Answers