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**CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATIONS**

A1.1: STRATEGY AND LEADERSHIP

DATE: MONDAY 27, MAY 2024

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 45 minutes (15 minutes reading and 3 hours 30 minutes writing).**
- 2. This examination has two sections: A & B.**
- 3. Section A has one Compulsory Question while section B has three optional questions to choose any two.**
- 4. In summary attempt three questions.**
- 5. Marks allocated to each question are shown at the end of the question.**

SECTION A

QUESTION ONE

Autowin Kigali Motors (AKM) Ltd

Introduction

Autowin Kigali Motors (AKM) Ltd is a subsidiary company that was established in 2020 by both Rwandan and South Korean shareholders to deal with the importation of both electric and hybrid Korean motor vehicles in the Rwandan market. The parent company Autowin Motors Ltd (AML) is an innovative online marketplace which connects local sellers to buyers worldwide. The company's website is always up to date with new stock and marketing content. It is based in South Korea and has been in the automobile industry for over 20 years. AML possesses the number one trading platform in South Korea. AML is currently the market leader in automobile trading globally, for cars, trucks, buses, heavy machinery as well as spare parts. They became the most popular destination for worldwide buyers to purchase Korean left hand drive vehicles both online and physically.

Operations

Car inventories are in both locations, Seoul and Kigali. Customers can select from a wide range of motor vehicles to buy which range from Kia, Mercedes Benz, BMW, Land Rover, Audi, Hyundai, Lexus, Honda, Volkswagen, Ford, Suzuki, among many others. Mostly on Korean roads though, you would see typically white Kais and Hyundai. Some people believe that, it could be a function of obsession of black and white colour by some of those managers in the manufacturing layout. One of their competitive advantages is related to a user-friendly app – which is easily downloadable and can work on any gadget; “buy it safely” service – a service that ensures that customers' payments are secure, and their vehicles arrive safely; 100% Refund Policy – which guarantees a 100% refund if customers do not receive their ordered cars; and a free quality check at port – car carefully checked at port before shipping. Customers who register for membership enjoy several privileges which include special discounts, early access to new stock, priority shipping among others, depending on the membership options earned due to prescribed number of vehicle purchases. The categories are Basic; Silver; Gold; Platinum; and Diamond in ascending order. Similarly, for those customers who want their cars instantly, they could pay a slightly higher fee and choose from the Kigali available stock.

New market environment

Autowin Kigali Motors Ltd (AKM Ltd) was established on the grounds of a market potential in Rwanda for electric and hybrid cars. According to the most recent census, the population of Rwanda stands at 14 million people, and more foreigners and immigrants have continued to migrate to Rwanda. The Managing Director, Mr. James Nkusi – who puts on suits every day at work, is the one who approached Korean investors and persuaded them to consider opening up a subsidiary in Rwanda eyeing expansion into the regional market later on, following the announcement of the government of Rwanda's long-term goal of becoming a carbon-neutral nation as articulated in its Vision 2050 aspirations. While negotiating with the shareholders,

Mr James talked about the Rwanda updated Nationally Determined Contribution (NDC) which outlines the importance of electric vehicles and the enforcement of vehicle emission standards as key mitigation measures on the path to reducing greenhouse gases. Similarly, he also reiterated on the incentives that investors would enjoy if they were to invest in the e-mobility sector which includes a 15% preferential corporate income tax rate.

Transport innovations

The Korean shareholders were excited to hear about Rwanda initiatives on climate change and promotion of hybrid and electric cars, which they were happy to tap into. “It appears Rwanda and South Korea have some vision similarities most specifically promotion of green growth initiatives and harnessing the move to improve public transport using electric cars. Korea has advanced technologies as far as E-mobility is concerned and it appears Rwanda is determined to take lessons and reciprocate them to promote consumer-centric mobility through transport innovations for the people’s convenience and national competitiveness; this would be a worthwhile investment”, Mr Son, one of shareholders, commented. To further catalyse the adoption of both electric and hybrid vehicles, bidding at committing to the promotion of electric transport as a green mobility option which is also a viable solution to reduce air pollution in Kigali as well as in other urban areas, Rwanda Revenue Authority (RRA) also waved taxes on importation of electric and hybrid vehicles. The government recently announced that in the year 2025, no car shall be imported in the country that is not either electric or hybrid.

Sector business environment

Rwanda as a country, has signed cooperation agreements with several countries in areas of innovation, technology, security, and climate change which makes it an ideal business environment for multinational companies such as Autowin Kigali Motors Ltd. The company started operations around July 2020 and a considerable number of customers are happy with the services – including an increasing number of middle-class men and women, profits are good as well as the liquidity position; nonetheless a few of them complain about some delays in delivery of the vehicles that are ordered online. The marketing manager of AKM Ltd, Mr. Ntaganda Xavier asserted that the market is worthwhile though it would be important to segment the market per geographical location since Rwandan customers have already indicated their preferred models such that Head office concentrates on sending inventories of only those fast-moving models. While some customers may prefer to purchase from the physical available stock to mitigate the impact of delays and other risks attributable to online transactions, the company is challenged with non-availability of some of the preferred Makes in the Kigali inventory; thereby losing out to them, by switching to alternative suppliers who could have such brands that appeal to customers, instantly. Besides, some customers were complaining about the delays to receive their vehicles; a feedback which is not in line with AKM Ltd.’s core values that include ethics, punctuality and professionalism.

Industry competition

Mr. son asked as to whether there are competitors in this sector to which Mr. James replied that, yes there are about four competitors, but this sector has emerged as the top sector on demand with a great deal of mobility transformation. Besides, AML has been in existence for a good number of years with customers spread all over the world, they can always provide support and guidance to bit the competition. VX Motors, one of AKM Ltd.'s competitors do not have spare parts ready for the brands, though they also sell a considerable number of hybrid cars in Rwanda. When a car breaks down, they place an order online while for Yota Rwanda Ltd another competitor, requests for some spare parts from Japan. "I believe that since AKM Ltd.'s parent company is headquartered in South Korea; this alone should allow us some competitive advantage internationally" Mr. James argued.

Mr. Son claimed that, while he believes so himself, with Rwanda offering a great deal of opportunities including being the safest country in Africa, electric vehicle chargers installed in five Kigali based petrol stations, improved telecommunications capabilities, GDP growth over 8% per annum, inflation being kept at a single digit since 2008, strong governance and great doing business metrics, several positive government policy initiatives including strong IT infrastructure among many others; AKM Ltd still possesses several bottlenecks, internally. For example, he asserted that since establishment, 20 staff have since left the company and the level of absenteeism is increasing each day – probably staff are not motivated; there are also several customer complaints mainly on the delivery timelines. This is equally indicated on the website feedback where some customers claim that AKM is known out there, as a company that has higher customer complaints, always talking about cost cutting. This was well acknowledged by Mr. James who emphasised that if AKM is to bit the competition whilst enhancing productivity, it will need to develop and embrace an effective corporate culture - a culture of successful organisations.

AKM Ltd.'s location

AKM Ltd.'s head office is located in the Kigali free trade zone. Staff are transported every day from Remera to head office. Apart from senior management, the rest of the other staff put on a red T-shirt with a company logo pressed at the back. In the recent shareholders' meeting, Mr. James pointed out that, it is becoming so expensive to operate from the Kigali free trade zone, and he was proposing that, the head office be shifted to Nyamata where there is enough space for both the head office and motor vehicle show rooms at a relatively cheaper price. Besides, the government had announced that companies who will agree to shift their offices from the congested Kigali free trade zone, to the demarcated place in Nyamata, will be allowed a corporate tax reduction of 10% for the first three (3) years. Once the company shifts, all the staff would be required to shift to Nyamata, though with a relocation allowance. When this information was communicated to staff, most of them did not appreciate the news and some have threatened to resign if the company shifts. The news concerning AKM Ltd.'s relocation is already in the media.

Required:

- a) **With the use of the PESTEL analysis, critically assess the macro-environmental forces that Autowin Kigali Motors (AKM) Ltd is facing in the Rwandan market. (15 Marks)**
- b) **Analyse the culture of AKM Ltd, and assess the implication of your analysis for the company's future performance. (15 marks)**
- c) **Referring to Mr. James's argument "I believe that since AKM Ltd.'s parent company is based in South Korea, this alone should allow us some competitive advantage internationally". Using Porter's Diamond Model critically analyse Mr. James's statement. (10Marks)**
- d) **Using the stakeholder mapping, critically analyse the relative significance of stakeholder groups and their real and potential influences over AKM Ltd with its relocation plan. (10 Marks)**

(Total: 50 Marks)

SECTION B

QUESTION TWO

GRT (Goboka Rwanda Trust) is a charity that provides living aids to help elderly and disabled people live independently in their own home. These aids include walkers, wheelchairs, walking frames, crutches, mobility scooters, bath lifts and bathroom and bedroom accessories aims to employ people who would find it difficult or impossible to work in a conventional office or factory. GRT's charitable aim is to provide the opportunity for severely disabled people to 'work with dignity and achieve financial independence'. GRT currently employs 100 severely disabled people and 20 able bodied people at its premises on an old disused airfield site. The former aircraft hangars have been turned into either production or storage facilities, all of which have been adapted for severely disabled people. Smaller items (such as walking frames and crutches) are manufactured here. These are relatively unsophisticated products, manufactured from scrap metal bought from local scrap metal dealers and stored on-site. These products require no testing or training to use and they are packaged and stored after manufacture. GRT uses its own lorry to make collections of scrap metal but the lorry is old, unreliable and will soon need replacing. Larger and more complex items such as mobility scooters and bath lifts are bought in bulk from suppliers and stored in the hangars. Delivery of these items to GRT is organised by their manufacturers. These products are stored until they are ordered. When an order is received for such products, the product is unpacked and tested.

An GRT transfer logo is then applied and the product is re-packaged in the original packing material with an GRT label attached. It is then dispatched to the customer. Some inventory is never ordered and last year GRT had to write-off a significant amount of obsolete inventory. All goods are sold at cost plus a margin to cover wages and administrative costs. Prices charged are the same whether goods are ordered over the web or by telephone. Customers can also make a further voluntary donation to help support GRT if they wish to. About 20% of customers do make such a donation. Ordering and marketing GRT market its products by placing single-sided promotional leaflets in hospitals, doctors' surgeries and local social welfare departments. This leaflet provides information about GRT and gives a direct phone number and a web address. Customers may purchase products by ringing GRT directly or by ordering over their website. The website provides product information and photos of the products which are supplied by GRT. It also has a secure payment facility. However, customers who ring GRT directly have to discuss product requirements and potential purchases with sales staff over the phone. Each sales discussion takes, on average, ten minutes and only one in two contacts results in a sale. 15% of sales are through their website (up from 10% last year), but many of their customers are unfamiliar with the Internet and do not have access to it. Goods are delivered to customers by a national courier service. Service and support for the bought-in products like mobility scooters and bath lifts are supplied by the original manufacturer. Commercial competitors GRT is finding it increasingly difficult to compete with commercial firms offering independent living aids. Last year, the charity made a deficit of FRW1,200,000, and it had to sell some of its land to cover this. Many of the commercial firms it is competing with have sophisticated sales and marketing operations and then arrange delivery to customers directly from manufacturers based in low labour cost countries.

Required:

GRT fears for its future and has decided to review its value chain to see how it can achieve competitive advantage.

- a) **Analyse the primary activities of the value chain for the product range at GRT.** (10marks)
- b) **Evaluate what changes GRT might consider to the primary activities in the value chain to improve their competitiveness, whilst continuing to meet their charitable objectives.** (15marks)

(Total: 25 marks)

QUESTION THREE:

HANGA Agribusiness Corporation (HANGA):

HANGA Agribusiness Corporation is a medium-sized company specializing in the cultivation and processing of agricultural products. The company operates in a competitive and dynamic industry that involves the production of various crops, including fruits, vegetables, and grains. HANGA's workforce is diverse, consisting of both seasoned agricultural professionals and newer recruits.

Recently, HANGA has been grappling with challenges related to employee motivation, engagement, and performance. Despite having a largely skilled team, the company has observed variations in the enthusiasm and productivity of its employees across different tasks and projects. These challenges tend to vary depending on the level of maturity and competence. These are described below:

- 1. **Junior Staff:** These staff are generally new professionals who have joined HANGA and lack confidence.
- 2. **Middle Managers:** These are staff who have been at HANGA for 3-5 years and have moderate levels of skills and confidence.
- 3. **Executive Managers:** These are more experienced managers with high level of competence and maturity. However, they still need personal support to be able to reach higher levels of expertise including working independently.
- 4. **Top Leadership:** These are the highest-ranking officials at HANGA who usually work independently and have confidence in their decision-making.

The leadership team at HANGA recognizes the need to address these issues and enhance overall organizational effectiveness to maintain a competitive edge in the agribusiness sector. To address these challenges effectively, the leadership team at HANGA Agribusiness Corporation has turned to the Situational Model of Leadership developed by Hersey and Blanchard. They believe that adapting their leadership styles to the varying needs and competence levels of their employees is crucial for success in the agribusiness industry.

Further, there have been communication challenges that emanate from having a diverse workforce, cultural differences, use of technical jargon, and hierarchical structures. The leadership team at HANGA recognizes the critical role that effective communication plays in addressing these challenges and improving overall organizational effectiveness. They are eager to implement strategies to enhance communication within the company.

Required:

- a) Based on the Situational Model of Leadership, critically assess the different leadership styles that HANGA's leaders should adopt for employees at varying levels of maturity and competence within the agribusiness organization. (12marks)
- b) Analyse the communication challenges the company is facing and advise strategies and solutions to improve communication within the organization. (13 Marks)

(Total: 25 Marks)

QUESTION FOUR

TIGITA Company Limited (TIGITA):

Strategic Business Units

TIGITA Company Limited is a Rwandan-based firm specializing in investment management services. Established a decade ago, TIGITA has built a reputation for providing a wide range of investment opportunities to clients, including individual investors, institutional funds, and organizations seeking to grow their wealth and financial portfolios. The company's investment portfolio includes diverse asset classes, such as equities, fixed income securities, real estate, and alternative investments. TIGITA is known for its commitment to delivering tailored investment strategies that align with clients' financial goals and risk tolerance.

Over the years, TIGITA has expanded its investment offerings, entered new markets, and acquired several smaller investment firms to strengthen its presence in the region. As a result, the company now manages a diverse portfolio of investment subsidiaries, each with its own unique focus and client base.

The four investment subsidiaries within TIGITA's portfolio are as follows:

- 1. **EquiWealth Securities:** EquiWealth Securities primarily focuses on equity investments in emerging markets. With a team of seasoned equity analysts, they offer clients opportunities to invest in stocks with high growth potential. EquiWealth Securities operates as a separate entity within TIGITA, with its own client base and investment strategies.
- 2. **FixedIncome Plus:** FixedIncome Plus specializes in fixed-income securities and bond investments. They cater to risk-averse investors seeking stable returns. FixedIncome Plus manages a portfolio of government and corporate bonds, offering a range of fixed-income products to clients. This subsidiary has been successfully operating largely independently.
- 3. **RealEstate Ventures:** RealEstate Ventures is TIGITA's independent subsidiary dedicated to real estate investments. They acquire and manage properties, including commercial and

residential real estate, on behalf of clients looking to diversify their portfolios with real assets. Due to their nature, TIGITA rarely gets involved in their business.

4. **GreenGrowth Investments:** GreenGrowth Investments focuses on sustainable and environmentally responsible investment opportunities. They offer clients access to projects related to renewable energy, clean technology, and environmentally friendly initiatives. Although this subsidiary looks attractive, TIGITA lacks the required capabilities to add value to it and this subsidiary is yet to significantly contribute to the portfolio.

The leadership team at TIGITA recognizes the need to assess the performance and strategic fit of its investment subsidiaries. To facilitate this evaluation, they are considering the use of the Ashridge Portfolio Display to analyse and categorize their investment subsidiaries based on performance and strategic alignment.

Strategic Challenges and opportunities:

In recent years, TIGITA Company Limited has observed several challenges and opportunities within the Rwandan investment management sector:

The Rwandan investment management sector has witnessed increased competition, with new entrants offering innovative services and digital platforms. Client expectations are evolving rapidly, demanding more personalized and technologically advanced solutions. The Rwandan government has also introduced new regulations aimed at enhancing transparency and investor protection within the financial services industry. Compliance with these regulations is crucial for the company's continued operations.

Furthermore, clients are expressing a growing interest in responsible and sustainable investments. There is a rising demand for environmental, social, and governance (ESG) investment options. TIGITA has also been exploring opportunities to expand its presence beyond Rwanda into neighbouring East African countries. Entering new markets presents both growth potential and strategic challenges. The company, further, recognizes the need to invest in advanced digital platforms and analytics to improve client engagement, streamline operations, and stay competitive.

Required:

- a) Using Ashridge Portfolio Display framework, **analyse TIGITA Company Limited's investment subsidiaries and recommend strategic actions that TIGITA should consider for each category of investment subsidiaries to optimize their performance.** (15 Marks)
 - b) Based on the challenges and opportunities outlined in the case study, you have been approached to advise on the options available for growth. **Analyse the strategic options available to TIGITA Company Limited to address these dynamics and support the company's growth and success in the Rwandan and regional investment management sector.** (10 marks)
- (Total: 25 Marks)

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