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**CERTIFIED PUBLIC ACCOUNTANT**  
**ADVANCED LEVEL 1 EXAMINATIONS**  
**A1.1: STRATEGY AND LEADERSHIP**  
**DATE: MONDAY, 28 NOVEMBER 2022**  
**MARKING GUIDE AND MODEL ANSWERS**

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**SECTION A**

**QUESTION ONE**

**Gihanasoft Solution Limited (GS Ltd)**

**Marking Guide**

<b>Qn</b>	<b>Description</b>	<b>Marks</b>	<b>Total Marks</b>
<b>a</b>	<p>GIC Ltd's PESTEL Analysis:                      The analysis should be robust and be linked to the GS Ltd context                      Each factor (letter) should have a minimum of a brief explanation/description of what it means and discussion of how it applies GS Ltd and GIC                      Poorly or unexplained points should earn 1 mark instead of 2</p>		
	A short and correct introduction of the PESTEL framework	2	
	Political (1 mark for a short description and 1 mark for a discussion of political issues in GS Ltd's and GIC's context)	2	
	Economical (1 mark for a short description and 1 mark for a discussion of political issues in GS Ltd's and GIC's context)	2	
	Social (1 mark for a short description and 1 mark for a discussion of political issues in GS Ltd's and GIC's context)	2	
	Technological (1 mark for a short description and 1 mark for a discussion of political issues in GS Ltd's and GIC's context)	2	
	Environmental/ecological (1 mark for a short description and 1 mark for a discussion of political issues in GS Ltd's and GIC's context)	2	
	Legal (1 mark for a short description and 1 mark for a discussion of political issues in GS Ltd's and GIC's context)	2	
	A valid diagram/illustration of the PESTEL framework	1	
	Appropriate advice on whether GS Ltd should make the move	2	17
<b>b</b>	<p>GS Ltd's strategic directions:                      The discussion should include a short discussion of what each of the three strategic direction means and a discussion of which services fall into it as well as reasons for it</p>		
	A short but clear introduction to the Ansoff Matrix. Any short introduction explaining what the Ansoff Matrix is should be sufficient	2	

Qn	Description	Marks	Total Marks
	Market Penetration (1 mark is awarded to a correct description of the strategic direction, 1 mark to correct linked GS Ltd's services, and 1 mark to one correct reason or justification)	3	
	Product and service Development (1 mark is awarded to a correct description of the strategic direction, 1 mark to correct linked GS Ltd's services, and 1 mark to one correct reason or justification)	3	
	Market Development (1 mark is awarded to a correct description of the strategic direction, 1 mark to correct linked GS Ltd's services, and 1 mark to one correct reason or justification)	3	
	A valid diagram/illustration of the Ansoff Matrix. No additional marks for a diagram with GS Ltd's data inside the diagram but no penalty as well	2	
			<b>13</b>
<b>c</b>	The governance issues of GS Ltd: Each cause of problem must be explained well and linked to GS Ltd		
	A short and correct introduction to the governance chain For each cause, award 2 marks to a correct description of the cause. Consider other causes not discussed in the answer model.	2	
	Knowledge imbalances (Award 1 mark for a correct cause and 1 mark for a correct discussion)	2	
	Monitoring limits (Award 1 mark for a correct cause and 1 mark for a correct discussion)	2	
	Misaligned incentives (Award 1 mark for a correct cause and 1 mark for a correct discussion)	2	
	A valid diagram/illustration of the governance chain. No additional marks for a diagram with GS Ltd's data inside the diagram but no penalty as well	2	<b>10</b>
<b>d</b>	Level 5 leadership approach: The recommendation should be discussed applying the Level 5 leadership approach Each correctly discussed characteristic earns 1 mark. Consider other characteristics not discussed in the model answer		
	A short and correct introduction to the Level 5 leadership approach	2	
	Lack of ego or humility (2 marks awarded to a correct description. Award 1 mark if no discussion and simply an outline is made)	2	

Qn	Description	Marks	Total Marks
	Accept full responsibility for mistakes, poor results, or failures (2 marks awarded to a correct description. Award 1 mark if no discussion and simply an outline is made)	2	
	Build organizations based on solid values (2 marks awarded to a correct description. Award 1 mark if no discussion and simply an outline is made)	2	
	A valid diagram/illustration of the Level 5 leadership. No additional marks for a diagram with GSL's data inside the diagram but no penalty as well	2	10
	<b>Total Marks</b>		<b>50</b>

### Model Answers

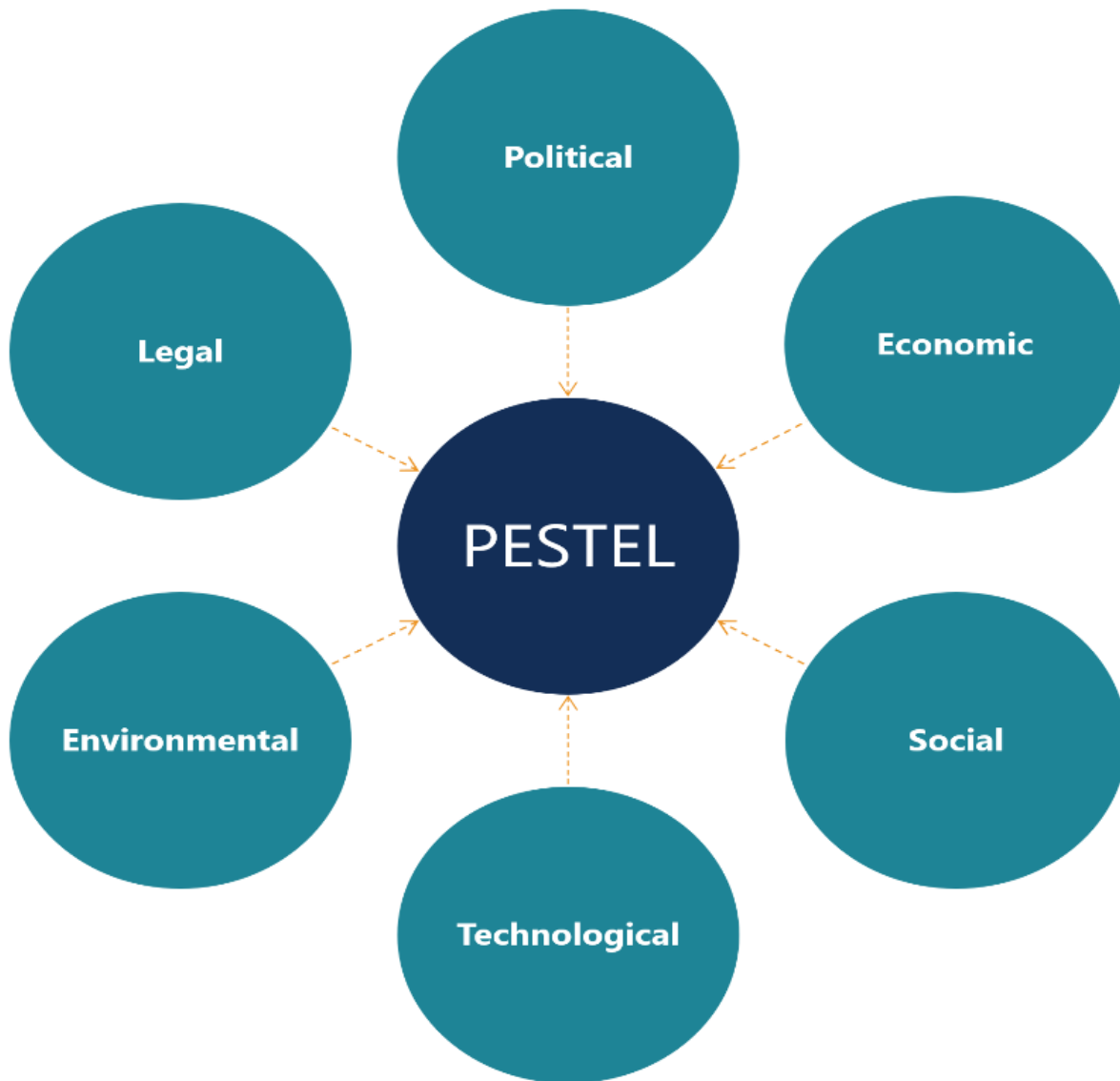
a) Using the PESTEL framework, **critically analyse macro-environment in GIC and advise whether GS Ltd should make the move.**

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

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

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

#### **Figure 1.1: The PESTEL Framework**



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

**Political Factors**

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

Government established Gihanga Innovation City (GIC), a special business zone located in Kigali to enhance business activities and promote competitiveness of local companies. Companies headquartered in GIC receive tax holidays of up to five years and are highly facilitated by the Rwanda Promotion Board to access foreign markets. Their imported equipment and machinery are mostly exempted from import duties to minimise costs and allow companies to produce competitive products and services. The corruption rates are also relatively minimal. This essentially means that GS Ltd could potentially enjoy these benefits and expand its business activities both locally and internationally. GS Ltd should critically consider to move its operation from Musanze to special economic zone in Kigali and enjoy economies of scale located therein.

Among the challenge faced by GS Ltd is less known in foreign market yet companies headquartered in GIC are facilitated to access foreign market. Therefore, move from Musanze to GIC will mark as like to have two birds in hand using one stone.

### **Economic Factors**

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

Companies located in GIC have been growing at an average rate of 10% over the past five years. The case study suggests that this is mostly attributed to the economy's remarkable growth with real annual Gross Domestic Product (GDP) growing at an average annual rate 8% over the past couple of years, a pace described by analysts as "the fastest sustained expansion by an economy in modern history." However, growth rates have plummeted over the past 2 years mostly owing to the COVID-19 pandemic, the war in Ukraine, and high inflation rates affecting various economies in which companies in GIC export or sale their products and services.

Although previous economic benefits enjoyed by companies in GIC are not guaranteed at the face of new challenges affecting many companies around the world. GS Ltd should consider whether these challenges are going to be long-term and whether there are other advantages that could offset these economic drawbacks. Move to Special Economic zone will enable GS Ltd enjoy the economic growth by exploiting available opportunities and this will increase brand awareness of GS ltd there by granting more customers.

### **Social Factors**

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

The latest Human Development Index Ranking (2020), a statistic composite index of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of human development, listed Rwanda among the best countries with tremendous achievements in health, education, and the standard of living looking at its average achievements in three basic scales of human development – education, life expectancy, and per capita income where it was ranked 56<sup>th</sup> out of 189 countries.

The above indicators seem favourable for business. Operating in an environment with the best possible trained employees, purchasing power, and other social factors would boost the company's potential for growth through improved productivity and revenues.

### **Technological Factors**

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

GIC attracted Kagali's attention because of the existence of many international high technology companies including those involved in robotics, computers and phones, telecommunications, and aerospace. Companies in GIC are decorated to have innovative strategies that coordinate disparate policies toward scientific research, technology commercialization, Information Technology (IT) investments, education and skills development, tax, trade, intellectual property, government procurement, and regulatory policies in an integrated fashion that drives economic growth.

Gihanga's universities are said to harbour some of the best technology institutions in the region and on average 300,000 best IT engineers graduate every year in its different universities. Thanks to the education sector strategies that align its programs to the future needs in technology including lessons on robotics, artificial intelligence among many others. On digital literacy, 60% of the citizens are Information and Communications Technology (ICT) literate and the country is connected to the regional and international markets.

GS Ltd is specialised in software development, however, their technology looks out of date and some are not known by customers. A move to Special economic zone will enable give an opportunity to cooperate with universities located in the same place and this will give them chance to recruit updated IT engineers. GS Ltd experienced high turnover rate and management failures. Once the move to GIC location, they will grasp an opportunity to have new IT engineers whom will contribute much to reverse existing staff failure.

In summary, all the above are positive technology trends that GS Ltd might want to exploit in improving its processes.

### **Environmental/Ecological Factors**

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

It is evident from the case study that one of the challenges faced by GIC is continuous criticism by environmental and climate change activists for its muted attention towards the safety of the environment and the carbon footprint left behind by companies in the economic zone. One executive was recently quoted saying that 'environmental issues are better managed by the government. My role as a CEO is to maximise shareholders' value'.

Ideally, companies are expected to establish best practices and mechanisms that respond to environmental challenges in line with global climate change efforts.

Turning a deaf ear on climate change may deter investors as well as the international community on the companies operating from GIC as well as its products. This should worry GS Ltd.

### **Legal Factors**

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

The government recently gazetted a several laws and regulations to standardise industry best practices and intellectual property. As a result, GIC company's benefit from internationally recognised labour laws and other regulations that are aligned to international best practices. In addition, it is easier now to apply and secure licenses and permits necessary to launch various software related services.

It, therefore, appears that GS Ltd has a conducive legal environment in which it should operate and compete globally.

Once GS decide its move to GIC location, they should first analyse whether their company will comply with gazetted laws and strategically analyse if their operation will fit and sustain within the existence of these laws

**In conclusion,**

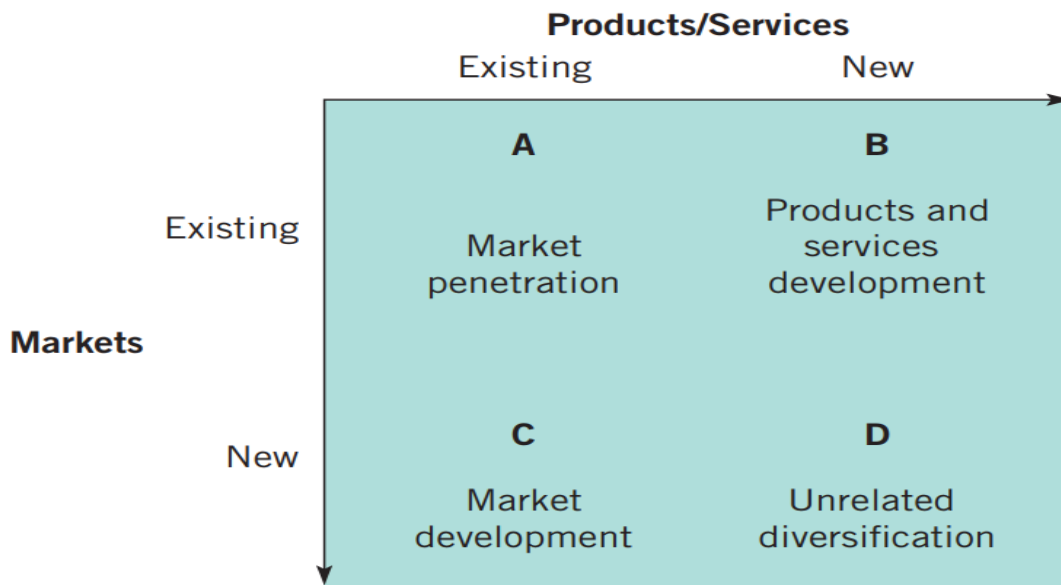
It appears that many of the macro-environment factors are in favour of what any rational investor would want and expect.

GS Ltd should find many of these conditions attractive and perhaps consider making the move. However, it should do so in critical consideration of some challenges such as the economic and environmental challenges posed by GIC and its environment.

**b) Using Ansoff Matrix, discuss three strategic directions proposed GS Ltd and identify which services apply to each direction.**

The Ansoff Matrix (see figure 1.2), also called the Product/Market Expansion Grid, is a tool used by firms to analyse and plan their strategies for growth. The matrix shows four strategies that can be used to help a firm grow and analyses the risk associated with each strategy.

**Figure 1.2: The Ansoff Matrix**



GS Ltd’s management has proposed three main strategic directions to be considered by the board as follows:

**Market Penetration Strategy**

Market penetration implies increasing share of current markets with the current product or service range.



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

Among the service offered by GS Ltd include Software quality assurance and testing Services and Data Backup and Recovery Services. This is because it has been indicated that these services seem to be unknown by some customer segments and management fears legal challenges in trying to be aggressive. These are both characteristics of services/products in this category. This also implies that these services are already existent and management's proposed strategies are intended to penetrate the existing market.

Management's proposed strategies would likely help them raise share of current markets for these services.

### **Product and service Development Strategy**

Product and service development is where organisations deliver modified or new products (or services) to existing markets. This can involve varying degrees of diversification along the horizontal axis of Figure 1.2.

Two GS Ltd services fall into this category. These include Custom Application Development Services and Infrastructure Support Services.

This is simply because they have been reported to be out of date and are facing stiff competition from new similar but better services. This implies that these services need to be revamped or completely changed by establishing new ones to fix these challenges.

Management's proposed strategies to overcome these challenges seem appropriate. Management should also consider forming strategic partnerships with other firms to gain access to each partner's distribution channels or brand.

### **Market Development Strategy**

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

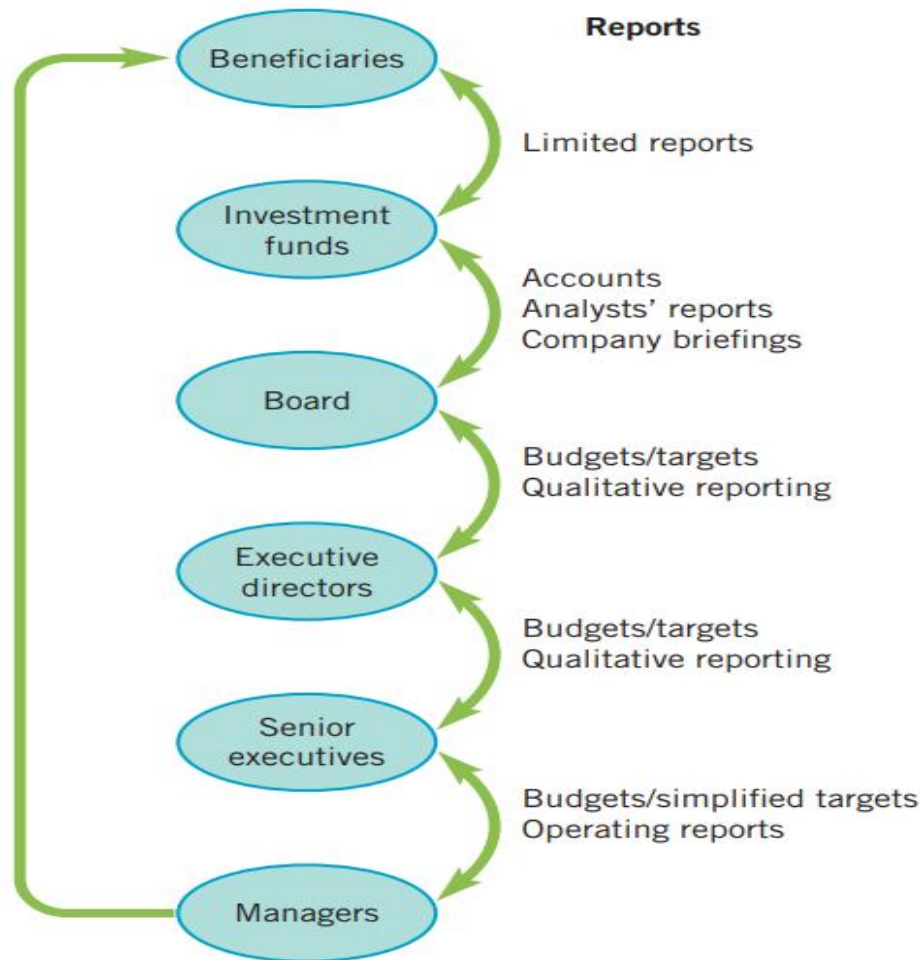
Two GS Ltd services fall into this category. These include App Maintenance Services as well as Software Deployment Services. This is because it has been stipulated that these services are approaching maturity in existing market in addition to being less known in foreign markets.

To fix the above challenges, management has proposed appropriate strategies which include catering to a different customer segment and entering into a new domestic market which may be Uganda, Kenya or any other country. Management should also consider entering into a foreign market.

c) With reference to the governance chain, discuss problems giving rise to the governance issues between the principal and agent in GS Ltd.

Managers and stakeholders are linked together via the governance chain. The governance chain shows the roles and relationships of different groups involved in the governance of an organisation. In a small family business, the governance chain is simple: there are family shareholders, a board with some family members and there are managers, some of whom may be family too. Here there are just three layers in the chain. However, large publicly-quoted corporations have more extended governance chains, potentially diluting accountability for strategy. Figure 1.3 shows a governance chain for a typical large, publicly-quoted corporation such as GS Ltd.

**Figure 1.3: The chain of corporate governance: typical reporting structures**



Economists analyse the relationships in such governance chains in terms of the principal-agent model. Here ‘principals’ employ ‘agents’ to act on their behalf, just as homeowners pay estate agents to sell their homes. Classically, the principal is simply the owner and the agent is the manager. However, the reality for large publicly-quoted corporations is usually more complex, with principals and agents at every level. In Figure 1.3, the beneficiaries are the ultimate principals and fund trustees and investment managers are their immediate agents in terms of achieving good returns on their investments.

Further down the chain, company boards can be considered as principals too, with senior executives their agents in managing the company. Thus, there are many layers of agents between ultimate principals and the managers at the bottom, with the reporting mechanisms between each layer liable to be imperfect.

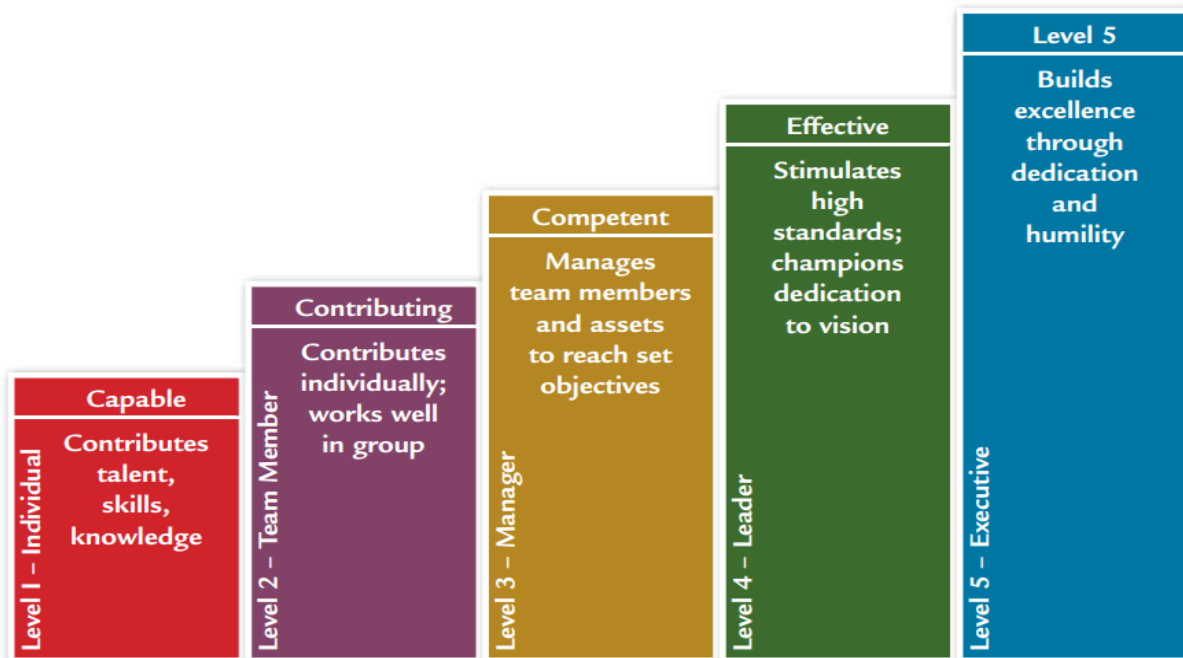
The governance issues between GS Ltd's principals and agents could potentially arise from three problems:

- Knowledge imbalances: Agents of GS Ltd typically know more than principals about what can and should be done in the company. After all, it is they who are actually doing the job and they have presumably been hired for their expertise. This, therefore, creates an imbalance which could create issues between both parties.
- Monitoring limits: It is very difficult for GS Ltd's principals to monitor closely the performance of their agents. This limit is made worse because GS Ltd's principals could potentially have many investments, so their attention is likely to be split several ways.
- Misaligned incentives: As indicated in the case, GS Ltd's agents are busy pursuing other objectives that reward them better. Principals might introduce bonus schemes in order to incentivise desired performance, but then agents may game the system: for example, they might use their superior knowledge to negotiate bonus targets that are in reality easy to meet.

**d) Apply the Level 5 leadership approach to recommend the key characteristics that should be demonstrated by senior managers of GS Ltd to fix the existing leadership challenges.**

Level 5 leadership is one of the four most common leadership approaches that are in tune with leadership for today's turbulent times. It was coined in a study conducted by Jim Collins and his research associates. The study identified the critical importance of what Collins calls Level 5 leadership in transforming companies from merely good to truly great organizations. As described in his book *Good to Great: Why Some Companies Make the Leap . . . and Others Don't*, Level 5 leadership refers to the highest level in a hierarchy of manager capabilities, as illustrated in figure 1.4.

**Figure 1.4: Level 5 leadership**



GS Ltd’s senior managers should consider adopting key characteristics suggested in the Level 5 which include an almost complete lack of ego (humility) coupled with a fierce resolve to do what is best for GS Ltd (will).

**Humility** means being unpretentious and modest rather than arrogant and prideful. This will ensure that they are approachable and self-aware.

In contrast to the view of great leaders as larger-than-life personalities with strong egos and big ambitions, Level 5 leaders often seem shy and self-effacing.

Although they accept full responsibility for mistakes, poor results, or failures, Level 5 leaders give credit for successes to other people. GS Ltd senior managers should consider adopting these characteristics if they are to fix leadership issues faced in the company.

Level 5 leaders build organizations based on solid values that go far beyond just making money, with an unwavering resolve to do whatever is needed to make the company successful over the long term. If GS Ltd leaders adopt this, they are likely to make more money as they maximise shareholders value.

Level 5 leaders are extremely ambitious for their companies rather than for themselves. GS Ltd leaders can demonstrate this in the area of succession planning. They can develop a solid corps of leaders throughout the organization so that when they leave, the company can continue to thrive and grow even stronger. Egocentric leaders, by contrast, often set their successors up for failure because it will be a testament to their own greatness if the company doesn’t perform well without them. GS Ltd senior managers seem to be doing this. Rather than building an organization around “a genius with a thousand helpers,” Level 5 leaders want everyone to develop to their fullest potential and that is what senior managers at GS Ltd should do.

## SECTION B

### QUESTION TWO

#### Habakuki Property Holding Ltd (HPH)

#### Marking Guide

Qn	Description	Marks	Total Marks
<b>a</b>	BCG Matrix: A good answer should have a short introduction of the BCG Matrix followed by an appropriate discussion of each category of business units.		
	A short introduction/description of what the BCG Matrix is and its aim/purpose	1	
	Stars (Award 1 mark for a correct identification of the business unit - industrial - and 1 mark for a correct justification, 1 mark for a correct recommended strategy)	3	
	Question Mark (Award 1 mark for a correct identification of the business unit - commercial - and 1 mark for a correct justification, 1 mark for a correct recommended strategy)	3	
	Cash Cow (Award 1 mark for a correct identification of the business unit - residential - and 1 mark for a correct justification, 1 mark for a correct recommended strategy)	3	
	Dogs (Award 1 mark for a correct identification of the business unit - land - and 1 mark for a correct justification, 1 mark for a correct recommended strategy)	3	
	A valid diagram/illustration of the BCG Matrix. No additional marks for a diagram with GBL's data inside the diagram but no penalty as well. Alternative valid diagrams are acceptable.	1	14
<b>b</b>	Project team members Only simply stated answers are expected on this question but they must be linked to the case study or question		
	Project sponsor (Award 1 mark for any correctly stated responsibility * 2 responsibilities = 2 maximum marks)	2	
	Project manager (Award 1 mark for any correctly stated responsibility * 2 responsibilities = 2 maximum marks)	2	
	Project team members (Award 1 mark for any correctly stated responsibility * 1 responsibility = 1 maximum mark)	1	5
<b>c</b>	HPH's results chain evaluation framework: A good answer should have a description of each of the results chain main elements and their equivalents in HPH's case. Those in the model answer are not conclusive and so alternative examples used by candidates should be considered in marking.		

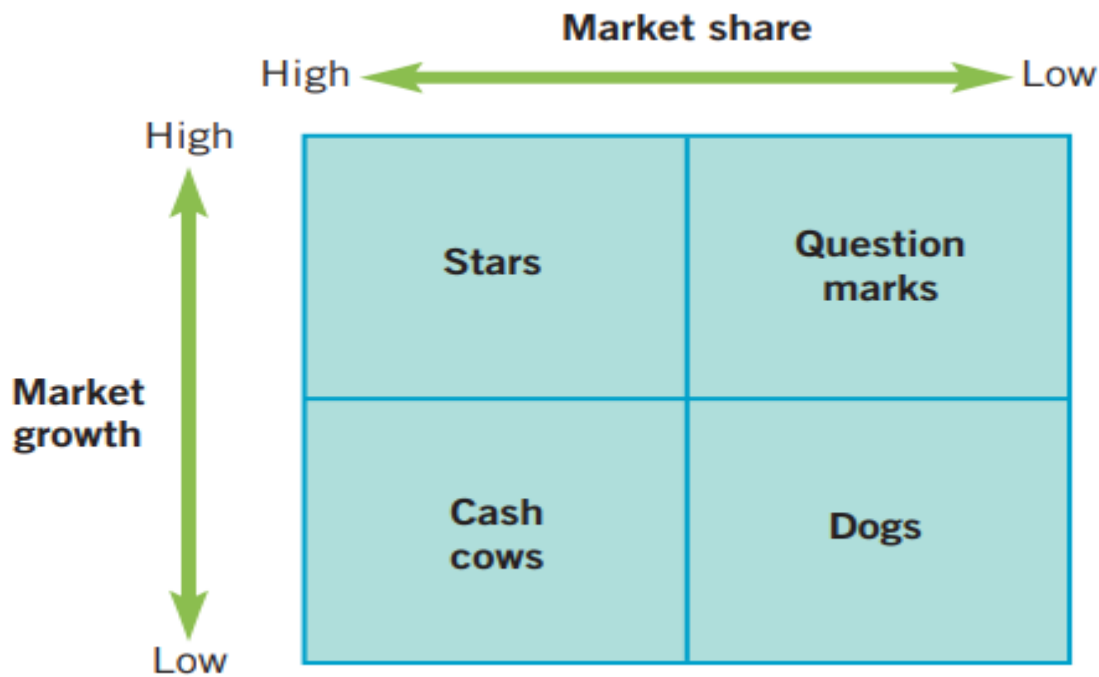
Qn	Description	Marks	Total Marks
	Inputs (Award 0.5 marks for a correct description and 0.5 marks for any 1 correct example)	1	
	Activities (Award 0.5 marks for a correct description and 0.5 marks for any 1 correct example)	1	
	Outputs (Award 0.5 marks for a correct description and 0.5 marks for any 1 correct example)	1	
	Outcome (Award 0.5 marks for a correct description and 0.5 marks for any 1 correct example)	1	
	Impact (Award 0.5 marks for a correct description and 0.5 marks for any 1 correct example)	1	
	A valid diagram/illustration of HPH's results chain evaluation with correct examples (figure 2.3)	1	6
	<b>Total Marks</b>		<b><u>25</u></b>

### Model Answer

**a) With reference to the Boston Consulting Group Matrix, examine HPH's real estate products and recommend appropriate strategies for each product.**

The Boston Consulting Group's (BCG's) growth/share matrix is among the best-known corporate portfolio management approaches. In the BCG approach, each of the firm's strategic business units (SBUs) is plotted on a two-dimensional grid in which the axes are relative market share and industry growth rate. The grid is broken into four quadrants. The BCG matrix uses market share and market growth criteria for determining the attractiveness and balance of a business portfolio. High market share and high growth are, of course, attractive. However, the BCG matrix also warns that high growth demands heavy investment, for instance to expand capacity or develop brands. There needs to be a balance within the portfolio, so that there are some low-growth businesses that are making sufficient surplus to fund the investment needs of higher-growth businesses. Figure 2.1 demonstrates the BCG matrix.

**Figure 2.1: The growth share (or BCG) matrix**



HPH’s real estate examination using the BCG matrix is as follows:

**Stars:**

A star is a business unit within a portfolio that has a high market share in a growing market. From the information provided, it appears that the industrial real estate is HPH’s star. This is because it is spending heavily to keep up with growth evidenced by 50% share of the company’s capital expenditure. It has also been suggested that the industrial business has a growing market in the country since most designated industrial areas either still under construction or are yet to be constructed.

HPH is advised to keep investing in this market as it has a unique and high potential for growth and transformation into a future cash cow.

**Question Mark:**

A question mark (or problem child) is a business unit within a portfolio that is in a growing market, but does not yet have high market share.

The commercial property market seems to be HPH’s problem child developed in prime commercial areas such as down town, Remera, and Nyabugogo. This is because it has a relatively low market share of 15% and is slow in taking off mainly due to the recent economic shocks that have negatively affected business activities in the country, few clients seem to be keen to undertake commercial space.

Developing this business unit into stars, with high market share, will take HPH heavy investment. Many question marks fail to develop, so the BCG advises corporate parents to nurture several at a time.

HPH appears to be doing well on this as it is developing shopping malls, offices, individual stores, parking lots, medical centres, and hotels. It is important to make sure that some question marks develop into stars, as existing stars eventually become cash cows and cash cows may decline into dogs.

**Cash Cow:**

A cash cow is a business unit within a portfolio that has a high market share in a mature market. It is clear that the residential property business unit is HPH's cash cow. It has been suggested that this business unit is the company's HPH's financial darling. It has further been stipulated that most of the company's expansion and innovative ideas and projects are financed by revenues from this real estate. However, because growth is low, HPH's investment needs are less, while high market share means that the business unit should be profitable. It is advisable that HPH should keep this business unit as a cash provider, helping to fund investments in question marks as already suggested. Keep milking cash from the cow!

**Dogs:**

Dogs are business units within a portfolio that have low share in static or declining markets and are thus the worst of all combinations. It is evident from the case that land is HPH's dog. This is because HPH's total market share is relatively low and earns 5% of its revenues from it and it is considered by management as a cash drain for the business. This business unit also potentially uses up a disproportionate amount of managerial time and company resources. The BCG usually recommends divestment or closure.

**b) Recommend the different project team members that will work on the eco-friendly building project and state each project member's responsibilities.**

HPH's new project can be implemented by the project team composed of three project team members namely the project sponsor, project manager, and project members or team. Their responsibilities are stated below:

**Project Sponsor (Role normally held by a senior Manager/Director)**

The project sponsor ensures the project has a purpose, is financed and the results will be utilised. The responsibilities consist of:

- Ultimate authority and responsibility for the environmentally considerate buildings project.
- Producing a project specification that will ensure that all buildings are environmentally compliant and friendly.
- Starting and stopping the project to ensure that all risks are appropriately managed.
- Making resources available to other team members and those activities are conducted on time and well.
- Designating the project manager to ensure that there is proper accountability and leadership of project activities.
- Overall control of the project to ensure that is executed appropriately.



- Approving any changes to the project to avoid any wastages and mistakes.
- Appointing a project board to ensure proper governance and accountability along the project life cycle.
- Taking delivery of and approving results.

### **The Project Manager**

The project manager has the responsibility and authority to lead the project to its final deliverable (goal) within a given framework. The project manager’s responsibilities are to ensure:

- Drawing up and continuously updating the plan to ensure that no building is outside the scope.
- The day to day running of the plan to construct environmentally friendly buildings.
- That the correct resources and workload requirements are scheduled at every construction site.
- The activities are properly prioritised and that the critical tasks are defined for foremen and other staff at construction sites.
- That there is a continuous review of the project and revision of the plan as required to meet the final deliverable of an environmentally compliant building.
- That all project plans will define key milestones to ensure the project remains in control.
- That all project documentation is updated and maintained for all team members.
- That the chosen work model and methods are applied.
- That the project is tracked, controlled, and reported.
- That stakeholders, internally and externally, are kept informed.
- That the interim and final results are handed over.

### **Project Members/Team**

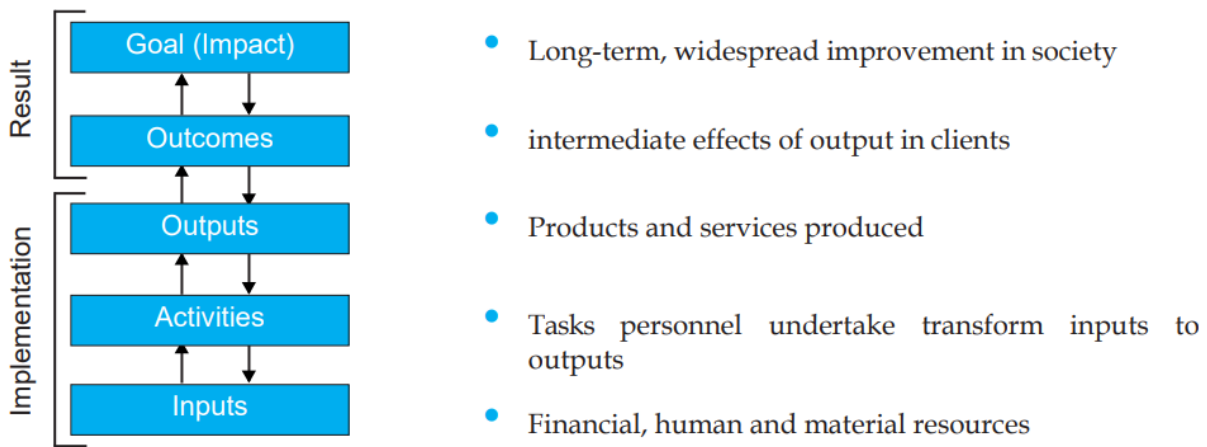
A project is made up of a number of project members each of whom will have different roles whose task and responsibilities are documented. Generally speaking, the responsibilities cover the following:

- Planning, carrying out and adapting the chosen processes.
- Using the available methods and working groups to ensure the quality of the interim results.
- Identifying the competencies needed to carry out the tasks.
- Where necessary clarifying demands and requirements which affect the allotted tasks.
- Identifying and reporting mistakes or deficiencies in the working methods.

**c) With help of an appropriate illustration, propose and explain the results chain evaluation framework that could be potentially used by HPH to evaluate new grand environmental building strategy.**

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 2.2 illustrates a results chain evaluation model.

**Figure 2.2: A result Chain**



With reference to figure 2.2, an explanation of HPH’s results chain evaluation framework that could be potentially used by HPH to evaluate new grand environmental building strategy follows:

### 1. Inputs

The financial, human, and material resources used for the development intervention. HPH’s inputs in this case will typically be to money, staff time, materials and equipment, transport costs, infrastructure etc. necessary to purchase, transport, train, and construct eco-friendly buildings.

### 2. Activities

Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs. In HPH’s case, these will be promoting eco-friendly buildings to the public to boost their uptake, training staff on how to construct good eco-friendly buildings among others.

### 3. Outputs

The products, capital goods and services which result from a project; may also include changes resulting from the project which are relevant to the achievement of outcomes. Typical outputs in this case will potentially include creating healthy relationships with suppliers of good quality eco-friendly materials and using these materials in construction, etc.

### 4. Outcomes

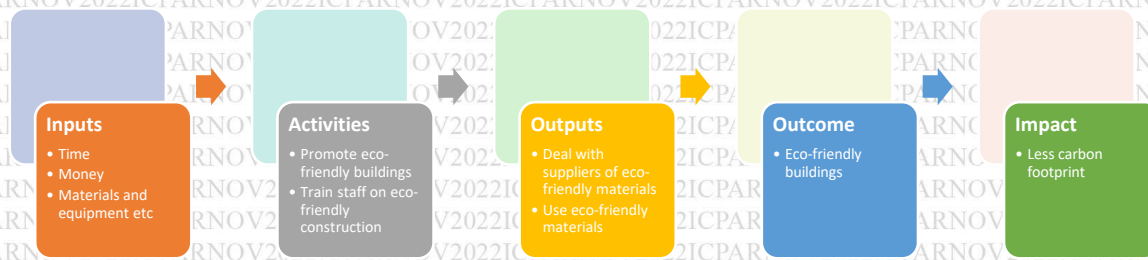
The likely or achieved short-term and medium-term effects of a project’s outputs. The difference of an outcome is that – unlike outputs which we largely control – we can only influence the achievement of an outcome, but it ultimately goes beyond our control. In HPH’s case, the outcome will be constructing environmentally friendly buildings that meet the company’s grand strategy.

## 5. Impact

Positive and negative, primary, and secondary long-term effects produced by a project, directly or indirectly, intended, or unintended. It implies a detectable improvement in people's lives. In this case, the impact of this strategy will be reducing HPH's carbon footprint as it is intended by the board.

Figure 2.3 below illustrates HPH's potential results chain evaluation of its proposed grand strategy.

**Figure 2.3: HPH's potential results chain evaluation**



## QUESTION THREE MARKING GUIDE

Qn	Description	Marks
a	<p>Nyamirambo Park's resource audit: The audit should contain a short description of what resource audit is and a classification of different resources owned by Nyamirambo Park. Other examples not in the model answer but could potentially in the case should be considered.</p> <p>Since no requirement to use a table was provided, answers provided in non-tabular formats should be allowed and awarded marks</p>	
	A short introduction/description of what the resource audit is and its purpose or how it works	1
	Physical capital/resources (0.5 marks awarded for any 1 correct identified example from the case study. Maximum of 4 examples are awarded marks = 2 Maximum marks awarded)	2
	Financial capital/resource (1 mark awarded for 1 correct identified example from the case study. Maximum of 1 example is awarded a mark = 1 Maximum mark awarded)	1
	Human capital/resources (0.5 marks awarded for any 1 correct identified example from the case study. Maximum of 2 examples are awarded marks = 1 Maximum mark awarded)	1
	Know-how capital/resources (0.5 marks awarded for any 1 correct identified example from the case study. Maximum of 2 examples are awarded marks = 1 Maximum mark awarded)	1

Qn	Description	Marks
	Reputational capital/resource (1 mark awarded for 1 correct identified example from the case study. Maximum of 1 example is awarded a mark = 1 Maximum mark awarded)	1
	<b>Subtotal</b>	<b>7</b>
<b>b</b>	Nyamirambo Park's internal and external factors: Should be presented in a tabular form and answered using the SWOT/TOWS analysis The order of the letters of the SWOT analysis does not matter. For instance, starting with Opportunities followed by any other element should still be allowable	
	A short introduction/description of what the SWOT analysis is and its purpose or how it works	1
	Strengths (0.5 marks awarded for any 1 correct identified strength from the case study. Maximum of 4 strengths are awarded marks = 2 Maximum marks awarded)	2
	Weaknesses (0.5 marks awarded for any 1 correct identified weakness from the case study. Maximum of 4 weaknesses are awarded marks = 2 Maximum marks awarded)	2
	Opportunities (0.5 marks awarded for any 1 correct identified opportunity from the case study. Maximum of 4 opportunities are awarded marks = 2 Maximum marks awarded)	2
	Threats (0.5 marks awarded for any 1 correct identified threat from the case study. Maximum of 2 threats are awarded marks = 1 Maximum mark awarded)	1
	<b>Subtotal</b>	<b>8</b>
<b>c</b>	Attack strategic options available for Nyamirambo Park: Candidates may apply the attack strategies differently in the Nyamirambo Park context. Each argument/discussion should be considered for validity	
	A short introduction/description of what Attack Strategies are and how they are often taken against market leaders to claim market dominance or competitive advantage	2
	Frontal attack (0.5 marks awarded for a correct description of the frontal attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1
	Flank attack (0.5 marks awarded for a correct description of the flank attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1
	Encirclement attack (0.5 marks awarded for a correct description of the encirclement attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1
	Bypass attack (0.5 marks awarded for a correct description of the Bypass attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1

Qn	Description	Marks
	Guerrilla attack (0.5 marks awarded for a correct description of the Guerrilla attack and 0.5 marks awarded on a discussion of how Nyamirambo Park could apply it in its context)	1
	A valid diagram/illustration of the Attack Strategies. Examples illustrated in the Attack Strategies are not awarded extra marks and not penalised. Note that Attack Strategies can be illustrated in many ways. All diagrams provided by candidates should be considered.	2
	A valid conclusion which either advises Nyamirambo Park on the best attack strategy to pursue or summarises attack strategies or provides any reasonable conclusion	1
	<b>Sub-total</b>	<b>10</b>
		<b>25</b>

## MODEL ANSWER

### Nyamirambo Park

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

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

**Table 4.1: Nyamirambo Park's Resource Audit**

	Resource Type	Resource Heads
Tangible	Physical capital	<ul style="list-style-type: none"> <li>• 1,000-acre leading park land located in Nyamirambo town</li> <li>• Outdoor recreational facilities</li> <li>• Low-cost accommodation buildings and related facilities</li> <li>• New gym facilities</li> <li>• Recreational equipment for children</li> <li>• Theatre for local and international tourists</li> <li>• Tea-making facilities</li> </ul>
	Financial capital	<ul style="list-style-type: none"> <li>• FRW 500 million loan from a bank</li> </ul>
	Human capital	<ul style="list-style-type: none"> <li>• Park and recreation professionals</li> <li>• Mr Gatogo as a founder</li> </ul>

	Resource Type	Resource Heads
Intangible	Know-how	<ul style="list-style-type: none"> <li>• Knowledge possessed by Mr Gatogo</li> <li>• Modern live-streaming software</li> </ul>
	Reputation	<ul style="list-style-type: none"> <li>• A reputation for low-cost and quick services</li> </ul>

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

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

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

**Table 4.2: Nyamirambo Park’s SWOT analysis**

<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Located in a popular tourist region</li> <li>• Big rooms</li> <li>• Large grounds and open areas</li> <li>• Breakfast service to rooms</li> <li>• Good restaurants and take-away nearby</li> <li>• Low prices (but this is also a problem!)</li> <li>• Regular customers (but not very many)</li> <li>• Membership in the local tourist group</li> <li>• Property large enough</li> <li>• Modern live-streaming software for movies</li> <li>• Access to information about the industry</li> <li>• Mr Gatogo acknowledges he has a problem – the first step towards solving it!</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• No television (crucial for the family market)</li> <li>• Bare and unappealing grounds</li> <li>• Initial interest by people who drive in and look but then leave (probably because of the bare grounds)</li> <li>• Location poor in relation to other services, attractions, etc.</li> <li>• No separate restaurant services</li> <li>• Low occupancy compared to other motels</li> <li>• Very little advertising</li> <li>• Only local advertising</li> <li>• Uninspiring motel name</li> <li>• Low rates being charged could be perceived as unappealing</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Install televisions immediately</li> <li>• Landscape the grounds and make them more attractive</li> <li>• Add more outdoor facilities – playground, BBQ facilities, perhaps a pool or tennis courts depending on finances</li> <li>• Increase the level of advertising</li> <li>• Increase the rates being charged</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• Potential failure if occupancy doesn’t improve</li> <li>• Potential failure if other properties begin cutting rates</li> <li>• Potential problems if other properties begin big promotional campaigns</li> <li>• Potential problems if more budget motels and recreational facilities are built</li> </ul>

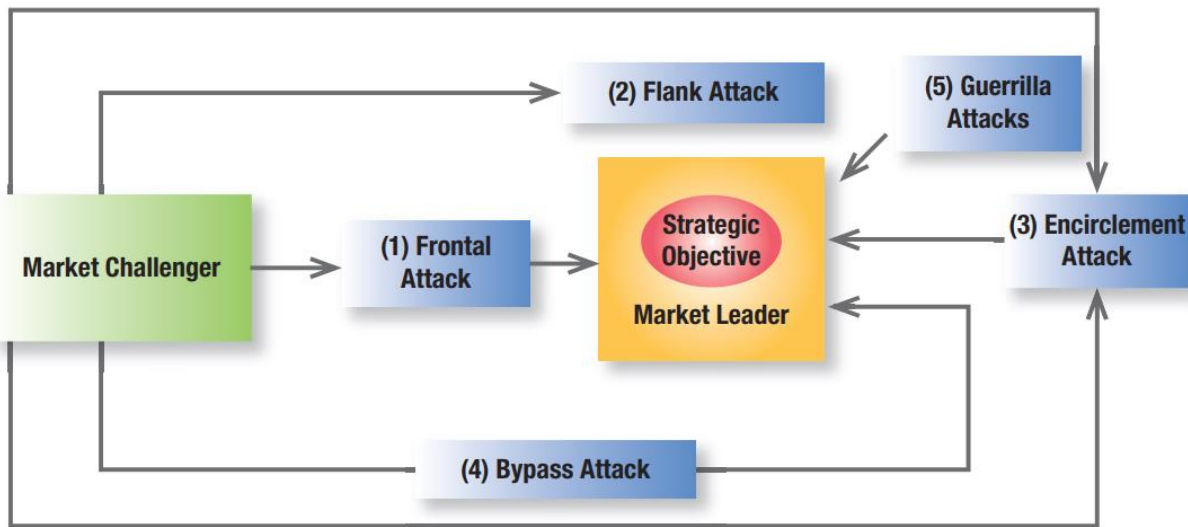
- Work in with other attractions, restaurants, etc (charge-back facilities with nearby restaurants, for example)
- Attend tourist group meetings – do more networking
- Add own restaurant or do-it-yourself catering facilities for guests
- Investigate other markets

**c) Discuss different strategies available for Nyamirambo Park to attack market leaders for the achievement of a competitive advantage.**

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

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

**Figure 4.1: General Attack Strategies**



**Flank attack**

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

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

### **Encirclement attack**

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

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

### **Bypass attack**

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

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

### **Guerrilla attack**

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

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



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

## QUESTION FOUR

### Twika Hashye Sports Shop (TSS)

#### Marking Guide

Qn	Description	Marks
<b>a</b>	TSS market segmentation: A good answer should be based on information provided in the question and well explained	
	A short introduction/description of what market segmentation and targeting are	1
	A mention of demographic segmentation in a candidate's answer	1
	Male preference (72% of revenues) mentioned	1
	High school students and graduated people correctly identified (1 mark for high school and 1 mark for graduated)	2
	Justification for High school students and graduated people (70% of customers and 80% of revenue). An alternative justification should be acceptable	1
	<b>Sub-total</b>	<b>6</b>
<b>b</b>	First-mover advantages for TSS: A good answer should be properly discussed and justified by a candidate and linked to TSS. Although only five advantages have been indicated in this marking guide, other correct advantages should be considered	
	A short introduction/description of what first-mover advantage is	1
	Network effects (Award 2 marks for a well discussed point and 1 mark for an unexplained or poorly explained point)	2
	Experience curve benefits (Award 2 marks for a well discussed point and 1 mark for an unexplained or poorly explained point)	2
	Scale benefits (Award 2 marks for a well discussed point and 1 mark for an unexplained or poorly explained point)	2
	Pre-emption of scarce resources (Award 2 marks for a well discussed point and 1 mark for an unexplained or poorly explained point)	2
	Reputation of scarce resources (Award 2 marks for a well discussed point and 1 mark for an unexplained or poorly explained point)	2
<b>Sub-total</b>	<b>11</b>	

Qn	Description	Marks
c	Proposed Person Specification for the Store Manager position: Although Essential Requirements were provided in the case study, some Desirable Requirements were not. This means that a candidate is expected to make appropriate assumptions and therefore alternative answers not presented in the answer model are expected	
	Essential Requirements:	
	University degree in business management or its equivalent	1
	Five years' experience in inventory management	1
	Highly ambitious, motivated (any one)	1
	Time management, computer literacy, team player, and integrity (any one)	1
	Desirable Requirements (candidates may present different answers):	
	Degree in store management	1
	Any experience in sales (provided in the case)	1
	Ability to motivate others	1
	Flexibility in work, able to change to another role easily etc (any one)	1
	<b>Sub-total</b>	<b>8</b>
	<b>Total Marks</b>	<b>25</b>

## Model Answers

### d) Advise TSS management on which segment(s) of customers it should target and why.

The concept of developing products and services for different groupings is called market segmentation. Market segmentation is defined as 'The process of dividing a market into the homogenous segments that collectively constitute the market that is being segmented.' A specific but large enough group of people showing similar characteristics and expectations may therefore, be selected as a target market.

Information presented in table 4.1 of question paper indicate a fairly clear pattern of the most preferred customer segments to target. TSS will segment customers mostly using demographic type of market segmentation.

High school students and graduated people, especially male with a 72% share of revenues, present the best business opportunity for TSS since they are still young and are interested in sports activities and related equipment more than others categories.

Furthermore, tennis is more appealing to younger customers because it is quite trendy and relatively new to Rwandans, most of whom are social media users who can get quickly influenced by it.

In addition, younger educated customers (high school and above) have the best commercial attributes which include:

- They represent a total of 70% of customers of TSS (40% graduated and 30% high school);
- They represent a massive 80% of TSS's revenues (30% graduated and 50% high school);

**e) Discuss advantages that TSS is likely to enjoy as a first-mover in the tennis equipment market.**

A first-mover advantage exists where an organisation is better off than its competitors as a result of being first to market with a new product, process or service. Fundamentally, the first-mover is a monopolist, theoretically able to charge customers high prices without fear of immediate undercutting by competitors. In practice, however, innovators often prefer to sacrifice profit margins for sales growth and, besides, monopoly is usually temporary.

There are six potentially more robust first-mover advantages that TSS is likely to enjoy as a first mover in the tennis equipment market:

- **Network effects** suggest that a customer of a product or service has a positive effect on the value of that for other customers and if they are present and captured by an individual firm it may be very difficult, if not impossible, for late entrants to catch up and build their own network of customers. TSS will, therefore, likely be able to easily capture the network before others.

- **Experience curve benefits** accrue to first-movers, as their rapid accumulation of experience with the innovation gives them greater expertise than late entrants still relatively unfamiliar with the new product, process or service. TSS will likely learn faster than late entrants in the tennis equipment market.

- **Scale benefits** are typically enjoyed by first-movers, as they establish earlier than competitors the volumes necessary for mass production and bulk purchasing, for example. TSS will likely establish more shops across the country for instance by signing contracts with big corporate companies and government agencies before late entrants can explore options and capture customer hearts.

- **Pre-emption of scarce resources** is an opportunity for first-movers, as late-movers will not have the same access to key raw materials, skilled labour or components, and will have to pay dearly for them. TSS is likely hire the best candidates before late-movers, which will potentially give it an edge.

- **Reputation** can be enhanced by being first, especially since consumers have little ‘mindspace’ to recognise new brands once a dominant brand has been established in the market. This has been already indicated in the case as many customers consider TSS as the ‘go-to’ shop for their tennis equipment needs.

- **Buyer switching costs** can be exploited by TSS, by locking in their customers with privileged or sticky relationships that later challengers can only break with difficulty. Switching costs can be increased by establishing and exploiting a technological standard.

Experience curve benefits, economies of scale and the pre-emption of scarce resources all confer cost advantages on TSS. It is possible for TSS to retaliate against challengers with a price war. Superior reputation and customer lock-in provide a marketing advantage, allowing TSS to charge high prices, which can then be reinvested in order to consolidate their position against late-entry

competitors. Network effects can provide for both cost and marketing advantages provided a sufficiently large network is built before new entrants.

**f) Tabulate a draft proposed Person Specification to be considered by the TSS management for the Store Manager position.**

Job/person specification outlines the knowledge, skills, education, physical abilities, and other characteristics needed to perform the job adequately.

Table 2 below demonstrates a proposed Person Specification to be considered by the TSS management for the Store Manager position.

**Table 2: Proposed Person Specification for the Store Manager position**

<b>Attribute</b>	<b>Essential Requirements</b>	<b>Desirable Requirements</b>
Education	University degree in business management or its equivalent	Degree in store management
Experience	Five years' experience in inventory management	Any experience in sales
Motivation	Highly ambitious, motivated	Ability to motivate others
Disposition	Time management, computer literacy, team player, and integrity	Flexibility in work, able to change to another role easily etc
Communication	Able to speak, Kinyarwanda, English and French	Other international language spoken would be added advantage

**End of marking guide and model answers**