



**CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATIONS**

A1.1: STRATEGY AND LEADERSHIP

DATE: MONDAY, 28 NOVEMBER 2022

- 1. INSTRUCTIONS:**
- 2. Time Allowed: 3 hours 45 minutes (15 minutes reading and 3 hours 30 minutes writing).**
- 3. This examination has two sections: A & B.**
- 4. Section A has one Compulsory Question while section B has three optional questions to choose any two.**
- 5. In summary attempt three questions.**
- 6. Marks allocated to each question are shown at the end of the question.**
- 7. The question paper should not be taken out of the examination room.**

SECTION A

QUESTION ONE

Gihanasoft Solution Limited (GS Ltd)

In February 2019, Nathan Kaguli, President of Gihanasoft Solution Limited (GS Ltd), a twenty-year old software development publicly-quoted corporation based in Musanze, was searching on the internet for new market opportunities of his company’s products and read about an interesting story of Gihanga Innovation City (GIC) in Kiguli. GIC is a special economic zone established by the government of Rwanda to enhance business activities and promote competitiveness of local companies. Kigali was considering the strategic decision that his company would take to exploit various business opportunities.

GS Ltd’s services, challenges, and strategies proposed by GS Ltd’s management to the board are demonstrated in table 1 below:

Table 1: GS Ltd’s services

Service Number	Service	Challenges	Proposed Strategies
1	Custom Application Development Services	<ul style="list-style-type: none"> • Looks out of date • Facing stiff competition from new similar but better services 	<ul style="list-style-type: none"> • Modification to suit customers need • Investing in R&D to develop new services
2	Software quality assurance and testing Services	<ul style="list-style-type: none"> • Unknown by some customer segments • Fear of legal challenges in trying to be aggressive 	<ul style="list-style-type: none"> • Decreasing prices to attract new customers • Increasing promotion and distribution efforts • Acquiring a competitor in the same marketplace
3	App Maintenance Services	<ul style="list-style-type: none"> • Reaching maturity in existing market • Less known in foreign markets 	<ul style="list-style-type: none"> • Catering to a different customer segment • Entering into a new domestic market
4	Data Backup and Recovery Services	<ul style="list-style-type: none"> • Unknown by some customer segments • Fear of legal challenges in trying to be aggressive 	<ul style="list-style-type: none"> • Decreasing prices to attract new customers • Increasing promotion and distribution efforts • Acquiring a competitor in the same marketplace

Service Number	Service	Challenges	Proposed Strategies
5	Software Deployment Services	<ul style="list-style-type: none"> • Reaching maturity in existing market • Less known in foreign markets 	<ul style="list-style-type: none"> • Catering to a different customer segment • Entering into a new domestic market
6	Infrastructure Support Services	<ul style="list-style-type: none"> • Looks out of date • Facing stiff competition from new similar but better services 	<ul style="list-style-type: none"> • Modification to suit customer needs • Investing in R&D to develop new services

Leadership challenges faced by GS Ltd

GS Ltd observed exponential growth under Kaguli's leadership since its establishment in 2000. Annual sales reports consistently indicated a continuous growth. Company projections for six years showed a positive trend but became stagnant after then. This negative turn of events at GS Ltd is mostly attributed to the weaknesses in GS Ltd's leadership. Senior managers in GS Ltd are described by staff as plagued by strong egos, arrogant and prideful, being highly ambitious with a low resolve to do what is best for the organisation, and rarely accept full responsibility for mistakes, poor results, or failures.

GS Ltd started experiencing a high rate of staff turnover since many of their experienced software developers were leaving to join bigger companies in the fastest developing countries where more growth opportunities and higher pay were available and where they felt valued and appreciated. The high staff turnover rate was affecting not only the customer relations but also the quality of the services offered.

The above challenges created several governance issues where the shareholders became impatient of management's actions. The board also found it difficult to monitor the company's performance due to restrictions posed by management in terms of opaque and unnecessary financial reporting techniques. Further, management's actions were reported by self-centred where maximising their pay and bonuses was the most important motive.

Gihanga and its business environment

GIC is based in Gihanga, a special economic zone in Kigali. GIC was established as a result of government's bid to create business and economic opportunities to local companies and facilitate them to compete both locally and globally. 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.

Companies located in GIC have been growing at an average rate of 10% over the past five years. This is mostly attributed to the economy's remarkable growth with real annual Gross Domestic Product (GDP) growing at an average annual rate of 8% over the past couple of years, a pace

described by analysts as “the fastest sustained expansion by an economy in modern history.” Further, companies operating in GIC enjoy one of the world’s lowest corruptions coupled with steady security and stable institutions.

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.

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 56th out of 189 countries. Universities located in Gihanga Innovation City are said to have some of the best technology institutions in the region and on average 300,000 best Information Technology (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.

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.

The business environment in this country and particularly in GIC is generally good since suppliers of all kinds of goods and services are available, logistic infrastructure has been improved, highly competitive rivalry as a result of different players, and low cost of raw materials and labour relative to other countries in the region. International online marketing and sales companies have joined this country which makes it easy for companies to enhance their ability to build and maintain successful customer relationships and globally recognised brands.

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, IT investments, education and skills development, tax, trade, intellectual property, government procurement, and regulatory policies in an integrated fashion that drives economic growth.

However, 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’.

Required:

- a) Using the PESTEL framework, **critically analyse macro-environment in GIC and advise whether GS Ltd should make the move.** (17 Marks)
- b) Using Ansoff Matrix, **discuss three strategic directions proposed GS Ltd and identify which services apply to each direction.** (13 Marks)
- c) With reference to the governance chain, **discuss problems giving rise to the governance issues between the principal and agent in GS Ltd.** (10 Marks)
- 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.** (10 Marks)

(Total: 50 Marks)

SECTION B

QUESTION TWO

Habakuki Property Holding (HPH) Ltd

Habakuki Property Holding (HPH) Ltd is a company specializing in real estate related products and services for the past 30 years. The company has four main types of products, each with a unique purpose and utility, which include land, residential properties, commercial properties, and industrial properties.

The land business was the first product introduced when HPH was first introduced 30 years ago. The company essentially buys undeveloped property and vacant land and rezone them so they can increase the density and increase the value of the property. Occasionally, the company develops properties on the undeveloped property and vacant land. Due to its traditional nature, the land market is fragmented and has many players. This implies that 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.

HPH also develops housing for individuals, families, or groups of people. This is done by developing single-family homes, apartments, condominiums, townhouses, and other similar types of living arrangements. This is HPH's financial darling. Most of the company's expansion and innovative ideas and projects are financed by revenues from this real estate. This is mostly due to a high number of recent graduates and millennials keen on owning homes of their own especially in properly developed localities. It should, however, be noted that this business unit has a low growth rate.

The third type of real estate is commercial property in which HPH develops commercial property units to be used by businesses especially in prime commercial areas such as down town, Remera, and Nyabugogo. These include shopping malls, offices, individual stores, parking lots, medical centres, and hotels. Considering the recent economic shocks that have negatively affected business activities in the country, few clients seem to be keen to undertake commercial space. This is problematic for HPH given this is a type of real estate in its infancy. Many players are struggling to succeed in this business and many have dropped out of the competition. HPH has a 15% market share, which is considered low by industry standards.

The last category is industrial real estate. HPH develops land and property used by industrial businesses that are used by industrial companies for activities such as factories, mechanical productions, research and development, construction, warehousing and others. These are mostly developed in industrial areas in various districts. This kind of real estate is deemed by industry experts as a unique and high potential business. Although it is feared for its high capital entry requirements, it has a growing market in the country since most designated industrial areas either still under construction or are yet to be constructed. Although, HPH spends 50% of its capital expenditure on this real estate, it has the highest market share relative to its competitors.

Recently, the company's board has adopted a grand strategy to work on projects that ensure the company moves towards environmentally friendly buildings that use eco-friendly materials that reduce carbon footprints.

Required

- a) With reference to the Boston Consulting Group Matrix, **examine HPH's real estate products and recommend appropriate strategies for each product** (14 Marks)
 - b) **Recommend the different project team members that will work on the eco-friendly building project and state each project member's responsibilities** (5 Marks)
 - 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.** *Note: You are encouraged to make appropriate assumptions of examples for each results chain element.* (6 Marks)
- (Total: 25 Marks)**

QUESTION THREE

Nyamirambo Park:

Nyamirambo Park is a 1,000-acre leading park located in Nyamirambo town dedicated to building strong, healthy, and resilient communities through parks and recreation. Nyamirambo Park advances this vision by investing in and championing the work of the park and recreation professionals as a catalyst for positive change in service of equity, climate-readiness, and overall health and well-being. In addition to outdoor recreational facilities, the park also offers low-cost accommodation, new gym facilities, recreational equipment for children, and a theatre for local and international tourists. The owner, Mr Gatogo, firmly believes that there is a need for low-cost family accommodation amid the luxury and beauty of the surrounding areas. Nyamirambo Park's rooms are large, family-style rooms with no television. Since the park is relatively new, the grounds are fairly bear with a bit of landscaping, but mostly grass. Mr Gatogo has plans of expanding the site in the near future. The theatre is used to host classic movies using a modern live-streaming software. The Park financed these facilities with a FRW 500 million loan from a bank.

Nyamirambo Park's skilled staff serve breakfast in the rooms, snacks for outdoor customers, and provide tea-making facilities for those who wish to help themselves on-the-go. Nyamirambo town has many good restaurants and fast-food points where by-passengers can grab take-aways. Nyamirambo Park charges almost 50% of what similar motels charge and a bargain of what the big hotels in the area are charging. What is surprising is that Nyamirambo Park is located near many museums, shops, and other attractions. The Park has a reputation for low-cost and quick services.

However, Nyamirambo Park faces a challenge of occupancy. The Park has some regular customers who visit every holiday period and are quite loyal to the park ever since it was established five years ago. Nyamirambo Park's occupancy is generally about 50% year-round yet other properties that offer comparable services in Nyamirambo average around 71% occupancy year-round. Further, there has been development of newer and modern hotels, motels, and recreational facilities in and around Nyamirambo area in the recent past in anticipation for events and conferences that have picked up in Rwanda in the last few years. This lack of occupancy can be quite frustrating for Mr Gatogo. Cars sometimes pull in, drive around the parking areas, and then drive away. Currently Nyamirambo Park does very little advertising on radios, social media, and walls. Mr Gatogo believes that word-of-mouth is the best form of advertising. Gatogo is a member of Nyamirambo Tourism Committee, a committee that promotes an integrated and responsible tourism in Nyamirambo, this enable him to receive local tourism statistics and knows the average stay in the area that it is 2.5 nights. Nyamirambo is one of the potential destination for local families, couples and increasingly overseas visitors.

Mr Gatogo knows Nyamirambo Park is not a market leader, but he is interested in devising strategies to challenge those facilities leading the industry.

Required:

- a) **Conduct Nyamirambo Park's resource audit using information provided in the above case.** (7 Marks)
 - 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.** (8 Marks)
 - c) **Discuss different strategies available for Nyamirambo Park to attack market leaders for the achievement of a competitive advantage.** (10 marks)
- (Total: 25 Marks)**

QUESTION FOUR

Twikahashye Sports Shop (TSS)

Twikahashye Sports Shop (TSS) is a retailer of sports equipment including football, gym, tennis, cycling, basketball among others based at Remera and other locations in Kigali. The shop started its activities in 2018, but sales have not yet reached expected levels.

The management decided to increase its marketing efforts through market segmentation, market research, market targeting, and market positioning. A survey conducted indicated that their consumers are made up of 53% men and 47% women.

The survey conducted also indicated additional characteristics of TSS customers as indicated in table 4.1. The management of TSS is currently considering specific customer segments to target.

Table 4.1: Characteristics of TSS customers

Category	Consumer Percentage (%)	Attribute	Percentage (%) of revenue
Sex			
Men	53	18-35 years old	72
Women	47	18-40 years old	28
Education			
Graduated	40	Salary range FRW70,000-300,000	30
High school	30	Salary range FRW20,000-100,000	50
Primary school	20	Salary range FRW10,000-60,000	15
Not studied	10	Salary range FRW5,000-30,000	5
Age (years)			
18-25	60	Sales FRW15,000,000	62.5
26-35	30	Sales FRW8,000,000	33
36 and above	10	Sales FRW1,000,000	4.5

TSS is a first-mover in the cycling sports equipment market in Rwanda as many competitors considered it unprofitable due to a relatively low number of people who play tennis in the country. However, tennis players have significantly increased in recent years which has benefited TSS as consumers have always known it as the go-to tennis equipment shop in the country through the word of mouth in addition to its aggressive marketing campaigns.

The recent increase in clientele has meant that TSS should hire additional staff in its shops across Kigali. One of the most required staff are Store Managers who should possess a minimum of a university degree in business management or its equivalent, five years' experience in inventory management with any experience in sales as an added advantage. TSS considers being highly ambitious, motivated, time management, computer literacy, team player, and integrity as key values. However, a candidate with additional positive traits would be preferred.

Required:

- a) Advise TSS management on which segment(s) of customers it should target and why? (6 Marks)**
- b) Discuss advantages that TSS is likely to enjoy as a first-mover in the tennis equipment market (11 Marks)**

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

(Note: Answer should clarify essential and desirable requirements for this position)

(8 Marks)

(Total: 25 Marks)

End of question paper