



CPA ADVANCED LEVEL

CIFA ADVANCED LEVEL

CCP ADVANCED LEVEL

LEADERSHIP AND MANAGEMENT

MONDAY: 24 April 2023. Morning Paper. Time Allowed: 3 hours. Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

DRILLERS COMPANY LIMITED (DCL)

Drillers Company Limited (DCL) started as a family business under the name Drillers Agencies in the early 2000s, specialising in drilling water boreholes. The company operated within Kenya's capital, Nairobi and its environs. At the helm of the company, since its inception, was James Shark who diligently steered the company's business. James Shark and his team of highly experienced executives created a huge demand for water boreholes drilling services. This led to employment of many people (mostly professionals) and importation of additional water drilling rigs and other equipment. As the CEO of the company, James Shark won various awards including the CEO of the year award.

In the year 2015, the company fully acquired Brillers Agencies Limited (BAL) which operated in the same area with DCL. The Board of DCL however resolved that the two companies would operate independently and some members of the Board of DCL would sit in the Board of BAL.

Due to his vast experience and successes, the Board of DCL appointed James Shark as the chairman of the newly reconstituted Board of BAL, an added responsibility to that of the CEO's position at DCL. The Board also appointed Engineer Rebecca Ayoo as the Chief Executive Officer (CEO) of BAL. Her rich corporate leadership experience enabled her to spearhead transformative changes in the entire organisation. Within a short period of time, manual processes had been automated and data held in old files digitised. BAL opened four more regional branches and restructured processes to make the company more efficient.

Based on her experience in the water sector, Engineer Rebecca Ayoo recommended to the Board that the company carries out a national study to establish the actual demand for its services based on its strengths and weaknesses. This was to inform further strategic decision making. Vertex Researchers and Consultants (VRC) were hired to carry out the study. When the full report was presented to the Board of Directors, majority of board members were excited, but the chairman, James Shark was hesitant and gave a directive that further analysis be done on every recommendation. The study revealed that there was great demand for services such as waste management, sewerage networks and water supply in major towns in the country since most county governments were not able to meet the high demand for the growing numbers of residents especially in urban areas. The consultants in their report had included a detailed risk assessment matrix, cost benefit analysis, human capital requirements, market demand forecast and proposed implementation strategy for each project.

Another report was presented in a Board meeting six months later and the Board recommended the implementation of the projects in phases based on risk factors and return on investment (ROI) of every project. The chairman was cautious and advised that the company should implement one project at a time. He argued that each project should be given reasonable time before embarking on another one. According to him, every project was to be treated as a cost-centre. He further advised against expanding the company's operations outside its core mandate irrespective of the projected returns. VRC was again engaged to oversee the implementation of the first project. This project included drilling of boreholes in five major towns and distribution of water trucks. The service proved to be very profitable.

Two years after the retirement of James Shark as the Chair of the DCL Board, his predecessor Alex Kim whose risk appetite was higher than that of James Shark convinced the Board to implement all the other projects recommended in both reports. He was able to convince both the Boards of BAL and DCL, the parent company's Board (where he also sat as a director), to extend BAL's operations in two other regions of Africa. This resulted in the opening of regional offices

in West Africa and South Africa. In these two regions, the company operated as Global Drillers Company Limited (GDCL). Engineer Rebecca was against this aggressive move and insisted that the company should remain focused on its core mandate. She was however overruled by her Board. Some Board members started frustrating her efforts at BAL leading to her resignation as CEO of the company.

Last year most counties restructured their services including water supply and waste management. This affected the company's bottom-line negatively that the company could not sustain its branches in the country nor the high number of employees. All the branches outside the country were also struggling to break-even.

Alex Kim has called for a brainstorming meeting for Board of Directors and Management to address the challenges with a view of re-engineering the company's processes.

Required:

(a) State FIVE political factors that Drillers Company Limited (DCL should consider when planning expansion of its operations. (5 marks)

(b) Discuss FIVE steps that Engineer Rebecca Ayoo could have followed to institute changes at BAL. (10 marks)

(c) Vertex Researchers and Consultants in their report to the Board of BAL had included a detailed risk assessment matrix for each project.

Examine FIVE benefits that would accrue to BAL from the preparation of a risk assessment matrix. (10 marks)

(d) Propose FIVE possible hurdles which BAL was expected to overcome as the business expanded to other regions in Africa. (10 marks)

(e) Assuming that you are a Board member of BAL, prepare a FIVE point memoranda in support of Alex Kim's idea of re-engineering the company's processes. (5 marks)

(Total: 40 marks)

QUESTION TWO

(a) FIVE Outline ways in which management may deter unethical behaviour among its employees. (5 marks) Discuss

(b) FIVE biases which affect effective decision making in an organisation. (10 marks)

(Total: 15 marks)

QUESTION THREE

(a) With reference to management:

(i) Explain the term "power". (1 mark)

(ii) Distinguish between "legitimate power" and "reward power". (4 marks)

(b) Examine FIVE pricing strategies that an organisation could employ in a competitive market environment.

(10 marks)

(Total: 15 marks)

QUESTION FOUR

(a) FIVE Outline ways in which a leader could play the role of a change agent in an organisation. (5 marks)

(b) FIVE Explain essentials of a sound motivational system that might aid in reducing high rate of staff turnover in an organisation. (5 marks)

(c) FIVE Summarise factors that might hinder creativity and innovation in an organisation. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) FIVE Explain benefits of conflicts in an organisation. (5 marks)

(b) FIVE Discuss techniques of scientific Management as proposed by Fredrick Taylor. (10 marks)

(Total: 15 marks)

