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SAMPLE STRATEGY EXAMINATION

STRATEGIC MANAGEMENT SKILLS

By Mustapha Mugisa, ACA, MBA, CISA, CFE, CrFA, CPAU, CEH, CHFI

Marking scheme

[Strategies differ from person to person. There should be some flexibility in the marking process in respect to use of relevant examples, and sound suggestions.]

Question 1: Drinksoft U Ltd

[10 marks for each item on the agenda, which his well explained – identification 0 marks, explanation of what it means 2 marks, application to the case at hand 6 marks, recommendation based on the facts of the case 2 marks.]

(i) Drinksoft's four point Agenda are:

- *Cost leadership* – become the cheapest manufacturer, in order to compete on price
- Endeavour to offer *differentiated* products and services at all times
- *Acquire* Rwanda Breweries s.a.r.l, the fourth leading soft drinks manufacturer and distributor in Rwanda, and
- *Diversify* i.e. offer consulting services and logistics management (involving distribution of other manufacturers' products) in addition to producing the Livewell and bottled mineral water products.

Below is analysis of the appropriateness of Drinksoft's identified strategies.

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1. Cost leadership

A company wishing to obtain competitive advantage can compete by achieving lower costs than its rivals and by charging similar prices for the products and services, which it offers, thereby achieving advantage via superior profitability.

This generic strategy calls for being the low cost producer in an industry for a given level of quality. This would enable Drinksoft to sell its products (Livewell, Kaizen consulting services and other products in addition to the proposed bottled mineral water) either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share.

In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market.

In order to achieve cost leadership, Drinksoft must put in place some of the following:

- Seek to set up production facilities for mass production as these will facilitate the economies of scale advantages to be achieved. There is not enough information in the case to assess whether Drinksoft can afford to do this. However, given that the company is highly geared i.e. over relying a lot on borrowed funds, it may not be able to achieve this. Already, the company's bank loan is Ugx. 4 billion, which is Ugx. 2 billion above the company's equity. This is excessive reliance on external financing, and accordingly the company's decision making is highly dependent on the bankers. Also, with a current ratio at 1.3, this means the current liabilities are three times more than the current assets. If all Drinksoft's creditors wanted their money, there is no enough assets to offset them. Accordingly, Drinksoft has no enough resources to set the factory for mass production.

Comment [MMugisa1]: 2 marks

Comment [MMugisa2]: 2 marks for each point, maximum 3 points. Total marks available 6.

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- Invest in the latest technology – improved quality less labour needed. As discussed above, latest technology involves huge capital spending and this needs money. Given that Drinksoft is currently highly indebted, it may not be able to obtain money to invest in technology to enable production efficiencies and cost cutting.
- Seek to obtain cheaper and favourable access to sources of raw materials. It is not indicated in the case the source of Drinksoft's raw materials. However, given the competition from Globalsoft, Primedrink and presence of many producers of bottled mineral water, the bargaining power of suppliers may be higher, which implies high cost of material inputs. The financial controller indicates in his deliberation that suppliers have been increasing the prices for raw materials, and that Drinksoft has no alternatives. This means that it is impossible for Drinksoft to obtain cheaper access to raw materials.
- Concentrate on productivity objectives and constantly seek to improve efficiency and economy. This involves implementing best manufacturing processes like Zero Based Budgeting, value chain analysis, lean manufacturing, among others. Given that Drinksoft management provides efficient manufacturing practices consultancies, it is presumed to have enough internal skills to undertake its own process improvements. On this basis, the company can compete on cost.
- Efficient distribution channels. Since inception, Drinksoft has been involved in the business of distributing other manufacturers' products, which implies that it has internal processes and capacity to process.

Overall, the cost leadership strategy is ideal for Drinksoft. However, the lack of enough resources to invest in latest technology coupled with high bargaining power of supplies, are some of the key obstacles. Drinksoft should consider cost leadership strategy for its consulting and distribution services, as these appear to not requiring huge working capital requirements.

Comment [MMugisa3]: 2 marks for appropriate conclusion/ recommendation

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2. Differentiation

Drinksoft can differentiate itself from its competitors by providing products and services that are unique valuable to buyers. A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow Drinksoft to charge a premium price for it. Drinksoft must ensure that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

As indicated, the market in which Drinksoft operates is driven by price and product awareness, this means that the differentiation strategy may not work, as it will entail charging higher prices for the products. Being price sensitive, clients may not buy the products which are highly priced than the competitive products.

Comment [MMugisa4]: 2 marks

Even then, to succeed in a differentiation strategy, Drinksoft must have the following internal strengths:

- Access to leading scientific research.
- Highly skilled and creative product development team.
- Strong sales team with the ability to successfully communicate the perceived strengths of the product
- Big marketing budget to aggressively promote the products, and their unique characteristics to the target market.
- Corporate reputation for quality and innovation.

Comment [MMugisa5]: 2 marks for each point, 3 points max. Total marks 6. Points should be given for good explanations and application to the case study.

With its consulting division, Drinksoft may be considered as having access to leading scientific research. However, this may require investments in terms of latest technologies to implement. The fact that Drinksoft is highly indebted means it cannot afford to implement the latest breakthrough manufacturing practices, although it may have access to the technologies. Also,

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Drinksoft must set aside enough money in advertising and promotion. As indicated by James, the managing director in the recent meetings, the company has no more money to spend in advertising. This is a big challenge to Drinksoft given that its key competitors currently spend five times more that it does, at a time it has been running a bank overdraft. Clearly, going forward there is no money for advertising and this renders the differentiation strategy not appropriate for the company.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments. Given that Drinksoft's market appears to be 'driven by price and product awareness', the differentiation strategy should be of image differentiation and aggressively marketed.

Comment [MMugisa6]: 2 marks

3. Acquisition of Rwanda Breweries s.a.r.l

This is one of the alternative methods of growth as identified by Ansoff. If there is sufficient financial resources available, an acquisition offers a very quick way of providing access to new product/market areas and enables the company to have economies of scale advantages. For the acquisition to succeed, it must meet the suitability, feasibility and acceptability requirements.

Comment [MMugisa7]: 2 marks

Suitability: Suitability identifies the extent to which the proposed strategy enhances the situation identified in the strategic analysis. An ideal strategic option must be able to close Drinksoft's planning gap of developing having regional presence with a strong brand. Clearly, acquisition of Rwanda Breweries by Drinksoft does not close this planning gap, since Rwandasoft only operates in Rwanda geographically. Drinksoft needs to first clean house internally by being more efficient and establish streamlined processes.

The acquisition strategy does not address threats and weaknesses of Drinksoft. The company has a wide product portfolio which it is failing to manage well. Its pioneer product, Livewell is experiencing deteriorating sales and market share. Above all, the company heavily relies on

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credit and bank loans, all these means that it cannot afford to buy another company, since such a strategy involves a lot of money.

Considering that Drinksoft has past experience in consulting and distribution, this is where its strength is. To succeed, it needs to focus on the consulting business which is even more profitable despite that it has not been advertising the service line aggressively. In the end, it may prove to be a very bad decision if Drinksoft acquired a company involved in Breweries, when it is likely to close the Brewing business altogether in the future, since it is cost intensive, highly competitive and less profitable compared to consulting and logistics management.

Feasibility: The issue of feasibility evaluates whether the chosen strategy can be implemented successfully. The resources the organisation has at its disposal will obviously determine this. If you consider Drinksoft's resources in terms of money, markets, manpower, materials and make-up, it is clear that the option is not ideal. Drinksoft lacks the money to acquire the company, given that its debt to equity is Ugx. 2 billion in excess as well as it has a high current ratio of 1.3 times. There is high competitive rivalry in the industry. The target company, Rwanda Breweries is fourth in terms of market share in Rwanda, and indication of stiff competition as well. Taken together, the acquisition strategy may not be the best option given the circumstances.

Acceptability: The final issue to address is whether the selected strategy will meet the expectations of the key stakeholders in the firm and typical issues to be looked at would include the level of risk and return resulting from the option. Since the company has only three shareholders, it may be easy to get a decision from them as long as their investment is not at stake. Considering the factors explained above, it appears the decision to buy is out of reach.

It is clear from the above, the acquisition strategy is not appropriate for Drinksoft.

Comment [MMugisa8]: 2 marks each point
max. 3 points. Total 6

Comment [MMugisa9]: 2 marks

4. Diversification

This represents the most risky of the product market strategies for Drinksoft as it involves the introduction of a totally new product in a new market. Accordingly, this will involve introducing

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a bottled mineral water product in the market, in addition to rolling out the Livewell product regionally, in addition to providing consulting and logistics management.

Comment [MMugisa10]: 2 marks

Diversification can be related or unrelated. Related diversification involves development of the product and market but still remaining within the broad confines of the industry. There are three main types.

1. *Backward.* A development into the business which inputs into the present business, eg move up the supply chain into raw material inputs.
2. *Forward.* A development into activities concerned with a company's outputs also called downstream integration, eg move down the supply chain into distribution activities.
3. *Horizontal.* Movement into activities which are competitive with existing activities, eg to benefit access to market or technology.

Clearly, Drinksoft's proposed diversification does not fall under any of these.

Unrelated diversification involves movement into industries which bear little relationship to the present one and is often the result of a profit motive. The proposal to manufacture mineral water falls under this.

Comment [MMugisa11]: 2 marks @ , maximum 3 points, total 6 marks.

Considering Drinksoft's business SWOT, diversification represents the most risky decision and Drinksoft must carefully evaluate all the options, and the possible repercussions.

Comment [MMugisa12]: 2 marks

[Overall total 40 marks].

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(b) Strategic planning is the process of establishing vision, goals and objectives of a company and developing a course of action to achieve them. Drinksoft (U) Ltd identified a strong market need for distribution and retail of soft drinks from other breweries products. The company also makes a soft drink called Livewell, in addition to producing four other new products. Even more, Drinksoft plans to introduce bottled mineral water product. These are many things being done at the same time. Given that the company is operating in a very competitive environment and there is always the danger that like any business, that Drinksoft can lose its sense of direction.

Comment [MMugisa13]: 2 marks for introduction

To analyse the extent to which strategic planning has failed or succeeded at Drinksoft, the following critical strategic planning process will be evaluated.

Vision and mission

A vision defines where the organisation wants to be, and the mission states how to get there by stating the company's values and its strategic stance.

Comment [MMugisa14]: 1 mark, for identification and explanation

Drinksoft's vision and mission are not clearly defined in the case study. A mission statement communicates the company's vision, mission and values – the critical things which answer key strategic questions like where does the company want to be, how to get there and which values and beliefs to follow to enable us get there.

The lack of a vision and mission is one of the reasons for failure of otherwise strong companies. Already, the company wants to go in mineral water production, in addition to distributing and consultancy services. With a vision, Drinksoft would be able to decide whether to focus on manufacturing or consulting, depending on where it has competitive advantages, rather than trying to do everything.

Comment [MMugisa15]: 2 marks for explanation

In that respect, Drinksoft's vision and mission are not in existence, so there is a risk of loss of direction. The question what business are we in, is therefore very difficult to answer. The

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mission statement therefore is not well written and communicated, an indication of poor strategic planning. Accordingly, strategic planning at Drinksoft has failed in this respect.

Comment [MMugisa16]: 1 mark for recommendation/ conclusion

Goals and Objectives

Goals are broad aspirations for the company to enable it achieve its mission and vision.

Objectives are specific actions to undertake so as to achieve the goals set force. Accordingly, the two must be congruent, which in turn is congruent with the vision and mission.

Comment [MMugisa17]: 0.5 mark for introduction

The Drinksoft goals and objectives are not stated anywhere in the case.

Overall corporate goals and objectives must be set for the organisation so as to ensure that there is consistency. Lack of clearly defined objectives and goals means that it is difficult to monitor business performance, which renders any control efforts fruitless.

Comment [MMugisa18]: 1 marks

On this regard, strategic planning at Drinksoft has failed.

Comment [MMugisa19]: 0.5 mark

Position audit, environmental analysis and SWOT analysis

The statements by Grace, the marketing manager that the market profile of the customers is changing are enlightening and an indication that a lot needs to be done as far as environmental analysis is concerned. Drinksoft senior management appears to have no clear understanding of the competitors and the political, legal, economic and social factors affecting the business.

Comment [MMugisa20]: 1 mark for introduction

The company is highly indebted, however, the director proposed strategic options like acquisition of a competitor in a new market – this clearly shows that there has been poor communication of the company's weak finance resources to management. The financial controller knows a lot of details about the company, but it appears are staff are on a different page. This is an indication of failure in strategic planning, as all these things need to be documented and communicated to all staff.

Although Drinksoft wants to dominate the regional market, it has no idea how to do so, as there are no clear strategies to that effect despite the acknowledged competition from well established

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players like Primedrink and Globalsoft, as well as well existence of many mineral water producers in the market. All these threaten the company's market. Although the company makes a lot of money in consulting, re the financial controller's revelations, no investment and focus in developing the service line has been made. Evidently, management is not planning well.

Comment [MMugisa21]: 2 marks for explanation

Internally, the company has identified the present problems, but it is just rhetoric and no clear action plan has been put in place to overcome them. Considering all the above factors, the internal and external environment of Drinksoft appears to be hazy even to the company's senior management itself.

Comment [MMugisa22]: 1 mark for conclusion

Strategic choice and implementation

The overall strategic choice for Drinksoft is still being discussed. However, the option stated clearly shows that management is not in touch with reality. Strategies like acquisition, differentiation and cost leadership are good, but the modalities of implementation appear to still be poor.

Comment [MMugisa23]: 0.5 mark

The company wants to function largely by focusing on cost, through application of technology. However, implementation of the same has largely failed and this is the area where management should focus. The comments and outbursts made by various staff at the strategic retreat is an indication of lack of brainstorming platform where staff are left to be creative by deliberating on ideas and being let to implement them.

Comment [MMugisa24]: 1 marks

By calling staff retreat is a good practice by management, however, it is difficult to make strategic choice and implementation without clearly explaining to people to bigger picture – where the company wants to be, as well as understanding its own strengths, opportunities, threats and weaknesses.

Comment [MMugisa25]: 0.5 mark

Control and corrective action

Poor implementation has resulted into internal misunderstandings and blame fixing. Taken together, management is losing focus and there is urgent need for intervention to bring the house to order.

Comment [MMugisa26]: 2 marks

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In light of the above, the only way to judge success or failure is with hindsight, which is not available to the planners. There are a number of criticisms of strategic planning in general.

- It precludes an opportunistic approach
- It is never possible to plan out environmental uncertainties
- The planning process becomes an end in itself

Comment [MMugisa27]: 1 mark

In Drinksoft's case, these criticisms do not apply.

- (a) The past history of the company suggests a freewheeling approach to entering different business lines. Freewheeling opportunism has perhaps seduced the company into spreading itself too thinly as a pattern of decision making. Accordingly, the company introduced many products in addition to Livewell which it has failed to produce profitably. Also, the company wants to be in every business it sees others doing. This is clearly due to lack of direction and a tendency to run after any available opportunity.
- (b) The planning process failed to take the possibility of emerging competition into account. The existence of new products and providers is not an uncertainty, although the exact timing and strength of the new entrants cannot be predicted.
- (c) Arguably, there is insufficient planning. An internal appraisal would have revealed the excess costs sooner. Poor planning, rather than excess of planning would seem to be evident.

Comment [MMugisa28]: 1 marks

Considering all the foresaid issues, overall strategic planning at Globalsoft has failed.

Comment [MMugisa29]: 2 marks

[Total marks available 20.]

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Section B

Question 2: Longlast Ltd

Successful implementation of new processes and systems involves managing change. This involves undertaking the Change Management Methodology, which involves three key processes of unfreeze, change and refreeze. These processes are further broken down into eight processes, including:

Comment [MMugisa30]: 1 marks for introduction

Unfreeze:

1. Establish a Sense of Urgency
2. Clarify and share the transformation Vision and form a powerful coalition
3. Increase Change Capability

Change or move to a new level

4. Establish Change Communication
5. Involve Stakeholders
6. Engage Leadership at All Levels

Refreeze:

7. Implement Project Integration
8. Enhance Performance and Organization Alignment

Comment [MMugisa31]: 1 mark for draft methodology i.e. listing the change management process in steps or bullet points in order – unfreeze, change, refreeze. Additional 1 mark for a person who breaks down each BIG step into small steps

Below is a description of each step, and its rationale.

Unfreezing

Unfreezing involves introducing measures that will enable employees to abandon their current practices or cultural norms in preparation for the change. Given that over 90% of the senior employees at Longlast Ltd have been with the company since its inception, this unfreezing phase is necessary as a 'shaking-up' phrase.

Comment [MMugisa32]: 6 marks for explanation, application, and conclusion i.e. 2 marks for each of these. Total max. 6.

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To successfully implement change, there is need to establish a 'sense of urgency' by the change agent. The changing market conditions especially the pilling customer orders, is a big warning to management and staff that change is imminent. Internally, the company hardly breaks-even despite having turnover in excess of Ugx. 100 million. Also, the existence of close competitor – Countryclays Ltd means that Longlast Ltd must improve its internal processes so as to shorten order lead times and create a satisfied clientele base. Failure to do this might mean loss of clients to the competitor.

Of importance, there is need to clarify and share the transformation mission, which helps form a powerful coalition with senior staff as change agents. Many times new initiatives fail to takeoff due to lack of clarity of mission and vision by the change agent. Given that many staff have been with the company since inception, these have a sense of belonging and share something with the company. To effectively implement change in such an environment, a well documented and communicated mission for change must be put in place.

It is also important to increase the change capability through training all staff about the need for change. Given that Longlast Ltd is in the business of clay manufacturing, most of the staff are casual and accordingly the need to be trained about the new skills needed for the new proposed changes – this will give them confidence of ownership of the new processes, which will ultimately reduce resistance to change.

The above steps are necessary to ensure all staff are prepared for the change. This helps minimize resistance to change, as this is usually due to fear of the unknown.

Moving to a new level

Moving to a new level involves bringing about the requisite change itself. As a change agent, I must first understand the internal systems and existing processes, staff backgrounds, etc. Some of these may take long to effectively work. However, once people are aware of the need for change, are and clear of the new level, it is easy for them to buy in.

Accordingly, establishing the communication approach and involving everyone in the system is critical. Considering that the company is a family business of two brothers, decision making can

Comment [MMugisa33]: 6 marks for explanation, application, and conclusion i.e. 2 marks for each of these. Total max. 6.

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be easy, which facilitates quick and consistent communication of the change effort and implementation progress at all leadership levels.

Refreezing

This last step is necessary to 'lock in' the changes and prevent the organisation from going back to its old ways. Again, it is like cementing in the news practices and believes of staff in working the new way. With automation, people need to continuously be trained, monitored and corrected on spot so as to feel comfortable with the new ways, rather than abandoning and reverting to the old practices.

Given the manual nature of the clay making processes, it is critical to implement the new processes and integrate them within the staff practices. Importantly, enhance performance and ensuring organizational alignment is paramount.

Overall, change management requires a clear plan and involvement of all stakeholders. Even more, there must be frank and open communication to all employees of the new ways and the impact to all staff.

Comment [MMugisa34]: 6 marks for explanation, application, and conclusion i.e. 2 marks for each of these. Total max. 6.

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Question 3: ITSimplified Ltd

To: Charles Kayanja

From: Strategic Consultant

Date: [insert exam date]

Subject: Business planning

Comment [MMugisa35]: Use of a proper report format 2 marks

Following your request, below is the business planning process, which will help improve the business's performance through a process of planning and evaluation.

Business planning involves developing a strategic direction of the business over a given period of time i.e. short term (less than 1 year), medium (2-3 years), and long-term (4 – 7 years). The content of a business plan is described below.

1. **The organization's vision and mission.** This looks at the bigger picture i.e. where the organisation wants to be, and how to get there. It also provides answers to questions like 'to what extent have the firm's values changed over time, and how should this be reflected in what the firm does?'
2. **Goals and objectives.** The business plan must define clear objectives which should be quantified wherever possible. Objectives must be simple, measurable, attainable, realistic and time bound (SMART). Objective helps the firm attain its goal, which in turn makes it possible for the business to grow. The company's objectives needs to be supported with details of the resources required to meet its long term goals.
3. **Organisational appraisal.** This involves analysis of both the internal and external environments' currently affecting the firms activities.

Comment [MMugisa36]: 0.5 marks for identification, 2 marks for explanation

Comment [MMugisa37]: 0.5 marks for mentioning, 2 marks for explanations

Comment [MMugisa38]: 0.5 marks for mentioning, 2 marks for explanations

External analysis involves use the PESTLED model to analyse the company's political, economic, social, technological, legal, ecological and demographic factors. Where these external factors are in the company's favour, they are considered as its opportunities and if they impact the business negatively, they are identified as threats. ITSimplified needs to

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assess the changing customer requirements, impact of existing and new economic policies, influence of competitive forces on the company's business, etc.

Internal analysis involves examining the company's resources – money, materials, markets, makeup and manpower. If the organisation has these assets, then they are its strengths, otherwise, they are weaknesses. The rationale of organisational appraisal is to identify the weaknesses and find ways of turning them into strength, and threats into opportunities so as to gain competitive advantage.

4. **Strategic option generation.** Based on the results of the environmental appraisal, the company can then generate appropriate strategic options.
5. **Strategic option selection and implementation.** Once the options are selected, the organisation can then develop and implementation action plan, which include, among others establishing activities involved and a budget.
6. **Monitoring and control.** Once the company starts implementation of the selected strategy, it must establish processes to monitor implementation progress and take corrective action on a timely manner.

Note: 1 marks for a candidate who puts the above steps in the order presented above.

There are obviously many activities and steps under each of the above processes.

Each of the major departments needs to be involved in the business of planning process, so this will mean that the senior managers of marketing, production, human resources, procurement, accounting and information technology should all contribute to the business plan and oversee its implementation. At an operational level, all the staff need to feel that they own the strategy for easy implementation.

The business plan will be developed at senior level but implemented at operational level. To be effective, all staff must know what is expected of them. This necessitates a hierarchy of

Comment [MMugisa39]: 0.5 marks for mentioning, 2 marks for explanations and application

Comment [MMugisa40]: 0.5 marks for mentioning, 2 marks for explanations

Comment [MMugisa41]: 0.5 marks for mentioning, 2 marks for explanations

Comment [MMugisa42]: 1 marks for putting the process in order.

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objectives and delegated responsibilities so that at each level of organisation there are clear performance requirements identified and sound tactical plans implemented. Also, it is necessary to get the insight of people from a variety of sources so that they own the planning processes.

Failure to involve all necessary personnel will result in loss of business direction, staff will become confused about their roles and inefficiencies will start to develop. This can only result eventually in a loss of competitive edge and loss of customers.

Comment [MMugisa43]: 2 marks for mention of parties involved and implications for non involvement.

[Total 20 marks]

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Question 4: Easyloans (U) Ltd

A company's cost competitiveness depends on how well it manages its value chain relative to competitors. Sustainable competitive advantage can be created by managing the value chain better than rivals and developing distinctive capabilities to serve customers.

Activities in the value chain affect one another. For example, more costly product design or better quality production might reduce the need for after-sales service.

Value chain linkages require coordination – for example, just in time requires smooth functioning of operations, outbound logistics and service activities such as installation. Accordingly, the bank can secure competitive advantage in several ways:

- Invent a new or better ways of doing activities
- Combine activities in new or better ways
- Manage the linkages in its own value chain
- Manage the linkages in the value system

Comment [MMugisa44]: 4 marks for explaining how the value chain adds value.

The value chain looks at nine generic activities as sources of value created by the bank. These are grouped in two categories – primary activities and secondary/ support activities, as explained below.

1. Primary Activities – these are the upstream and downstream activities of a firm. They are activities directly related to production, sales, marketing, delivery and service.

Comment [MMugisa45]: Total 8 marks for this, 1 mark for each well explained value chain item, and 3 mark for conclusion

- a) Inbound logistics
- b) Operations (production)
- c) Outbound logistics (distribution)
- d) Marketing and sales
- e) Service

The following are factors to consider in assessing the bank's primary activities:

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a) Inbound logistics

- Location of the bank's branches, automated teller machines (ATMs), and other distribution facilities to minimize service delivery lead time
- Excellent material and inventory control systems, to ensure minimal process losses
- Systems to reduce time to send "returns" to suppliers
- Bank layout and designs to increase efficiency of operations for incoming deposits

b) Operations (production/ service delivery)

- Efficient bank operations to minimize costs
- Appropriate level of automation in banking processes like loan processing, payments, disbursements, etc
- Bank operations quality control systems to reduce costs and enhance quality
- Efficient bank processes layout and workflow design e.g. properly streamlining the cash deposit and withdrawal processes to ensure banking efficiency

c) Outbound logistics (distribution)

- Efficient service delivery processes to provide quick delivery and minimize damages e.g. transaction processing services like cash withdrawals
- Efficient banking processes
- Supplying/ providing of banking services in large lot sizes to minimize costs
- Quality handling technology to increase order picking/ handling
- Application of efficient technology to lower operating costs

d) Marketing and sales

- Highly motivated and competent sales force
- Innovative approaches to promotion and advertising

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- Selection of most appropriate distribution channels
- Proper identification of customer segments and needs
- Effective pricing strategies for the bank's various products on sale

e) Service

- Effective use of procedures to solicit customer feedback and to act on information received
- Quick response to customer needs and emergencies
- Ability to furnish replacement parts as required
- Effective management of parts and equipment inventory
- Quality of service personnel and ongoing training
- Appropriate warranty and guarantee policies

2. **Support/Secondary activities.** These activities provide purchased inputs, human resources, technology and infrastructural functions to support the primary activities.

Comment [MMugisa46]: 8 marks total, 1 mark for each explained item which gives 5 marks, and 3 mark for application.

- a) Administration (infrastructure)
- b) Human Resources
- c) Technology (new product/R&D) development
- d) Procurement

Factors to consider in assessing the bank's support/secondary activities are:

a) Administration/ management planning

- Effective planning systems to attain overall goals and objectives
- Ability of top management to anticipate and act on key environmental events
- Ability to obtain low cost funds for capital expenditures and working capital
- Excellent relationship with diverse stakeholder groups
- Ability to coordinate and integrate activities across the "value system"
- Highly visible to inculcate organisational culture, reputation and values

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b) Human Resources

- Effective recruitment, development and retention mechanisms for employees
- Good relations with trade unions
- Quality work environment to maximize overall employee performance and minimize absenteeism
- Reward and incentive programs to motivate employees

c) Technology (new product/R&D) development

- Effective research and development activities for process and product initiatives
- Positive collaborative relationship between R&D and other departments
- State of the art equipment and facilities
- Culture to enhance creativity and innovation
- Excellent professional qualifications of personnel
- Ability to meet critical deadlines

d) Procurement

- Procurement of raw material inputs to optimize quality, speed and minimize the associated costs
- Development of collaborative win-win relationship with suppliers
- Effective procedures to purchase advertising and media services
- Analysis and selection of alternate sources of inputs to minimize dependence on one supplier
- Ability to make proper lease or buy decisions

[Total 20 marks]