

# Global Strategy & Leadership (Semester 1 2023)

## Frequently Asked Questions (FAQs)

**Published:** 21 February 2023

### General

#### How do I access the PDF study guide?

Log into My Online Learning > select the Global Strategy & Leadership subject

- ➔ Scroll down to the Primary Resources area
- ➔ Click on the 'Access' button next to 'Study Guide PDF'.

#### Where are the suggested answers in the study guide?

The suggested answers are at the very back of the study guide, not at the end of each module.

#### How do I search for a word or term in the study guide?

If you can't find the relevant text - before posting a question on the forum - use Ctrl + F to do a search on the PDF version of the study guide. This is how you will find specific words or terms you are unsure of.

Then, check Guided Learning (Search Knowledge Base) and also do a web-search of the key words to find out more.

#### Do I need to read and/or print the relevant legislation?

It is recommended that all candidates become familiar with how to locate and read the relevant sections of legislation referred to in the study guide. However, note that only the content in the study guide is examinable. It is a personal preference as to whether candidates print any legislation for the purposes of the exam, but it is not necessary.

#### Is Quitch available this semester?

No. All the Quitch questions are now inside Guided Learning.

### When are the mid-semester test (MST) and practice exams released?

The MST is released at the end of week 5 (Friday 3 March at 2pm) and is available for 10 days until Tuesday 14 March.

The MST is 15 Multiple-Choice Questions (MCQs) and you have 1 hour. It covers content from Modules 1 – 4.

You do not need to book the MST. It will just appear in Guided Learning on Friday 3 March. Just do it like you do the module quizzes. It does not contribute to your final result. It is just for practice & feedback.

Practice exam 1 is available from 2pm on 21 March.

Practice exam 2 is available from 2pm on 24 March.

Practice exams are full length (3.25 hours and the same number of questions / structure as your final exam).

They cover every module. The questions are randomised. You should book your practice exam dates (in the Get Started unit) but you don't have to sit it on the date. The booking is to help with planning your time.

These will appear in Guided Learning on these dates.

### How do I book my Practice exams?

- ➔ Go to the 'Get Started' unit in Guided Learning
- ➔ Select the '2. Book Your Practice Exam' tab on the left-hand side
- ➔ Click the 'Book my practice exam' orange button as shown in the image below.

Get started – GSL

**Introduction**

Welcome to your Guided Learning experience for Global Strategy and Leadership.

There are 3 tasks to complete to effectively start your semester: 1. Make a pledge. 2. Book your practice exams. 3. Build a study plan. You should do these now.

Then – it's time to start studying. There is a wide range of resources for you to investigate – the best thing to do is start at the very beginning and explore.

All the best for your studies!!

Regards,

Chris and the KnowledgeEquity team

**STUDY APPROACH**

- 1. MAKE YOUR RESULTS PLEDGE
- 2. BOOK YOUR PRACTICE EXAMS**
- 3. BUILD YOUR STUDY PLAN

**HOW TO NAVIGATE**

- FAQS AND ERRATA
- ABOUT ME

**Book your practice exams now...**

Practice exam 1 will be released on Tuesday **21 March 2023** and Practice exam 2 will be released on Friday **24 March 2023**.

Our stats show that those who properly complete two practice exams have a significantly better pass rate than the average for the CPA Program exams. Scheduling these dates helps make sure you make the time for them!

The recommended dates in the table below are a guide to help you (they are designed to give you time to review / revise / reflect on areas that need to improve).

You can reschedule your practice exam using the booking button. You can attempt the practice exams at any time once they are released (it doesn't have to be on the day you booked – if you want to go a bit early or later).

CPA Exam	Practice Exam 1	Practice Exam 2
Wed, 12 April	Wed, 28 March	Wed, 5 April

**Global Strategy & Leadership** 0%

SEARCH KNOWLEDGE BASE

ASK THE EXPERT

INTRODUCTION

- GET STARTED – GSL**
- STUDY ESSENTIALS – GSL
- TIMETABLE AND STUDY PLAN – GSL

MODULE 1

MODULE 2

MODULE 3

MODULE 4

MODULE 5

MODULE 6

MODULE 7

REVISION

ACCESSIBILITY

BACK TO COURSE

### **What happens if I need to move my practice exam dates?**

If you can't sit your practice exams on the original dates booked, you do not need to reschedule - you can do it anytime you want. There is no closing date. They will be available until the very end of the CPA semester.

### **What happens if I disagree with an answer in a Quiz?**

1. Read the question really carefully again.
2. Read the solution really carefully again.
3. Assume that the answer is correct – so work on what you might have got wrong and understand that, rather than first assuming that your answer is correct.

It is possible that the answer is wrong. But...it is most likely correct. So, the first thing to do is ask yourself: Why is this answer correct? What information have I missed? [instead of first trying to prove it wrong]

This is a more effective learning strategy than just immediately challenging something because you came up with a different approach. Once you have done this – if you are still 100% sure that there is an issue, please post a query on the Ask the Expert forum outlining why you think it is an error, your reasons and page references and justification to support your own analysis, and we will review it and give you a response. (If we find an error or area of confusion we update it as soon as possible).

### **What is the final exam worth?**

100% of your result. All other quizzes and activities are just for guidance, including the mid-semester test and practice exams.

### **What will I be tested on in my final CPA Program exam?**

The final CPA Program exam is based 100% on the study guide.

### **Where do I get help on how to answer an exam question?**

We have tasks listed to prepare before each webinar.

You should attempt these tasks before watching the webinar and then watch as we discuss how to answer these types of questions. You get further practice in the practice exams when they are released in Week 8.

### **What materials can I take into the exam?**

It is an open book exam. You can take in your hard copy study guide and other written or printed notes, along with a calculator.

You can tag or highlight your book and notes as well.

You cannot use a soft-copy (electronic) of the study guide or your notes. Only hard copy notes are allowed.

### **How many Questions are there? What type of questions should I expect? Are they in module order?**

The number of questions and structure of the exam is published in MYOL.

CPA does not tell you how many extended response questions there are. The practice exams have a range of extended response questions for you to become familiar with what to expect.

The questions are in random order not module order.

### **What modules are the extended response exam questions based on?**

They can be based on any module. CPA do not publish guidance on this – so you need to be prepared to answer a question from any part of the study guide.

### **Can I use pen and paper in my exam?**

No. Please read the CPA exam rules carefully. You will get a physical whiteboard and marker in a test centre, and if you sit an online proctored exam you will get an online whiteboard. You can practice with the online whiteboard in the mid-semester test and practice exams.

### **In the final exam, will I need to quote or reference the court cases referred to in the study guide?**

Given that we have not seen the exam, we cannot give an absolute yes/no answer to this question. It depends on what type of question you're asked and whether you are asked to support your response with reference to applicable laws. Generally, the intent of the subject is not to test you on your ability to remember case names. Of more importance is the legal principles that need to be applied in particular situations. That said, we would always encourage candidates to prepare indexes etc that assist with remembering key cases/legislation and which can be referred to quickly in an exam, if needed.

## Where do I get help in relation to my final CPA Program Exam?

We provide answers in relation to the study guides in this forum, but we can't answer exam rules and information (but we can point you in the right direction).

For exam based rules and information please click the following link: [CPA Australia Exam FAQs](#)

## What is the pass mark? (How many questions do I need to get right to pass the exam?) How do I know if I am on track after completing the practice exams?

There is no set percentage pass mark for CPA Program exams.

The pass mark for the CPA Program exams is a scaled score of 540. As CPA Australia create multiple versions for their exams each semester, they use scaled scoring that equates exam results across different exam versions.

If you complete the practice exams properly they provide you with an estimated grade range based on how candidates who received the same raw practice exam 1 score performed in the final exam last semester.

Please find the results comparison and more information about the pass mark here:

<https://knowledgeequity.com.au/cpa-scaled-scores-pass-mark-2/>

## Asking a forum question

### Can I ask about the answer to a quiz question?

Yes. But, follow these steps first:

1. Read the question really carefully again.
2. Read the solution really carefully again.
3. Assume that the answer is correct – so work on what you might have got wrong and understand that, rather than first assuming that your answer is correct.
4. Post the full question / solution into the forum post using a screen-shot. This will make it much easier to provide you with a response.

It is possible that the answer is wrong. But...it is most likely correct. So, the first thing to do is ask yourself: Why is this answer correct? What information have I missed? [instead of first trying to prove it wrong]

This is a more effective learning strategy than just immediately challenging something because you came up with a different approach. Once you have done this – if you are still 100% sure that there is an issue, please post a query on the forum outlining why you think it is an error, your reasons and page references and justification to support your own analysis, and we will review it and give you a response. (If we find an error or area of confusion we update it as soon as possible).

### **Reshaping the value proposition (page 14)**

**The map on page 15 shows a section “customer jobs” in the customer profile. Could you explain the text on pages 14 and 15?**

When you develop a value proposition you need to develop high-value customer jobs. These are the functional, social and emotional tasks customers are trying to perform, problems they are trying to solve and needs they wish to satisfy. You also need to consider customer jobs, not just from the customer perspective but also the perspective of the provider – to think of it in terms of what you want to deliver to them. One of the authors of this concept Alexander Osterwalder, states that we can categorise high value customer jobs as important, tangible, unsatisfied and lucrative.

For example, Dropbox helps make computer file storage and sharing easy.

*Customer jobs:* For different people to see, access, and edit files in one central database.

*Important?* Yes.

Dave sends Greta the latest budget, but it isn't because Peter's input was not counted because he didn't know Dave had the latest version and he edited an old version he had downloaded. Everyone gets frustrated.

*Tangible?* Yes.

Greta knows she is approving the latest budget. The chance of making a decision on the wrong information is reduced.

*Unsatisfied?* Yes and no. The current value proposition is to communicate well with colleagues to ensure the latest document is emailed around. Not a great solution. Can we stop Dave and Peter both editing at exactly the same time? No. But Dropbox identifies the conflict and lets us know. At least they can ring each other and work it out.

*Lucrative?* Yes.

A billion people have this issue. It's small in the overall scheme of things, but they or their employers are willing to pay a small price to remove the pain.

You can see that customer jobs must link closely to the pains and gains in the customer profile map.

### **Strategic fit and stretch (page 17)**

**When a company expands into a new market overseas, is this always a strategic stretch?**

It may be but it is not an automatic conclusion, so it depends on an analysis of the information available. For instance, in the first webinar, we discuss Bunning's failed expansion into the UK market. They use their current resources (including sending over the own management team to the UK), to implement an acquisition of Homebase. Considering Table 1.2, the strategy was a strategic fit between the market opportunities and their resources. It does not matter that they were entering a different geographic market. There was a market need for hardware in the UK so they were not creating a new market need or differentiating on competencies.

Woolworths operates grocery stores in Australia. They decided to enter the retail hardware market only in Australia. The customers are similar but not always the same (e.g. Around 65% of women do the grocery shopping but it is the opposite in retail hardware). Both grocery and hardware require logistics systems and other functions that are similar, but the marketing, product portfolio mix, pricing strategies, and other functions are different. The resources required to implement were not part of Woolworth's core competencies. Therefore, this was a strategic stretch. The approach is to match the resources available to the market opportunity and decide if it requires new resources or current ones to be utilised in a different manner. That helps separate fit from stretch.

**Strategic fit or stretch: What does 'risk-reduction through portfolio' and 'investments by corporate centre' mean in Table 1.2? (page 18)**

The original document (Hamel, G. & Prahalad, C.K. (1994) 'Competing for the future' suggests that companies should look at the portfolio of core competencies instead of its products or portfolio of business units. Instead of looking at your current products, look at your current and future capabilities. Look at your company as a portfolio of competencies and invest in these competencies the same you would in a product. This is the most effective way of managing risk and competing effectively.

The company Apple is an example of how this might apply. Prior to the launch of the iPhone they were regarded mostly as a computer maker. Instead of focusing on their current products, they focused on their capabilities, which included design, innovation, and transforming traditional markets with radical new products. Focusing on capabilities instead of traditional business units they were then able to enter the mobile phone marketplace and dominate it.

**Leadership styles based on the intensity of change (page 48)**

**What is the best approach to read Figure 1.15 – The Dunphy and Stacey Intensity of Change model? What do the terms Taylorism, developmental transitions, task-focused transitions mean? Are the management styles in the left column also leadership styles?**

The recommended approach to applying this figure is to first consider the type of change occurring. Utilising the headers across the top, we consider if the change is finetuning or a significant corporate transformation (i.e. Japan Airlines). The pale-yellow boxes are possible change approaches that might occur. For example, when Inamori first took control of Japan Airlines he had to significantly cut costs by reducing the labour force – in other words, he had to start a turnaround process for the company. A style you can use for this type of change is Coercive or Directive.

The grey boxes represent management styles that do not work well with a type of change required. For example, in an incremental or modular transformation situation a Coercive style is not recommended. As Inamori continued the change process at JAL, he moved to a more collaborative style. Corporate transformation was still occurring, but we could also say he was moving to modular transformation.

Taylorism is a well-known scientific management theory. If you wish to learn more any web-search will provide you with detailed information. It is potentially misleading to say that Taylorism equates to avoiding change. Small operational efficiency gains are still found through changing work practices. However, in larger scale change projects, where both tasks and behaviours need alteration, Taylorism does not work well.

The difference between developmental and task-focused transitions comes from the difference between employee focus and task focus. If the change requires employees to learn new skills or approaches to their roles, then the management style should be more consultative or collaborative. If the change is more process driven, then the change can be more procedure and task-focused.

The text refers to both change management styles and leadership styles. It is recommended that you refer to them as leadership styles to remove confusion.

### **Remote industry environment analysis (page 99)**

The first sentence of the last paragraph under section 2.3 says *“in the remote industry environment analysis it is vital to consider all factors within the industry that affect profitability and the competitive position of organisations within it.”* Elsewhere the SG says that the remote environment analysis is about growth and not profitability. Which is correct?

The sentence is confusing because it is mixing two terms that should be kept separate. A remote environment analysis is about future growth of the industry and the main concept used is STEEPLE. An industry environment analysis is about industry profitability and here we use the Five Forces concept. The wording will be corrected in the next update of the study guide.

### **STEEPLE (section begins on page 100, answers start on page 518)**

**Question 2.9 (page 107) asks to analyse the economic forces that affect future growth however, the answer uses information that doesn't align with the study guide's interpretation of STEEPLE.**

The answer to question 2.9 describes 4 economic factors that are impacting industry growth. The first point may be related to the concept that a stable economy means that businesses are not failing and that demand for accounting services remain strong. The text states that stability comes from a compliance need. Therefore, this impact is more likely to fit in the category of legal than economic.

The second point is not directly related to an economic impact, however if traditional accounting services are not required due to technology changes or other factors, then industry growth may reduce. This point is better placed under technological and not economic.

The third point is about profitability and is not related to industry growth. However, if we consider these value-added services increasing demand overall for industry services then it can be related to industry growth. However, this does not appear to occur from an economic factor.

The fourth point is about new entrants to market which is about industry profitability and relates to Porter's Five Forces. It is not related to industry growth.

### **Question 2.10 (page 108)**

**In the answer table it mentions brands and reputation and that the industry needs to consider its environmental impacts. Does STEEPLE analysis include an industry's impact on a STEEPLE factor?**

The answer text in the table is potentially misleading but the links to brand and reputation are relevant. The impacts in a STEEPLE analysis must be a remote external impact on the whole industry. It is not about the impact of the industry on the environment. For example, we know large food companies have some negative impacts on the environment related to the production and use of palm oil and how this increases deforestation. However, in STEEPLE we want to know whether this environmental issue is impacting the whole industry.

As the Question 2.10 answer text states, there is unlikely to be any impact from the environment on the growth of the accounting services industry. However, as the environment becomes more politicised and in mainstream conversations, there could be a link between environmental issues like climate change and a social impact of society demanding accounting firms move away from retaining clients in high carbon-emitting industries (e.g. Coal). This is the brand and reputation link.



### **Question 2.16 (page 118) – Supplier power in the Australian accounting services industry**

**The example starting on page 93 does not provide information on suppliers in the industry. How can you answer question 2.16?**

The case provides a range of information about the industry but does not specifically cover suppliers. Therefore, we need to use some of our own domain knowledge about the industry. This is one we should know well! There are not many suppliers to this industry. One key supplier is software providers. Some large accounting companies develop their own software solutions but most rely on providers. These might be large suppliers like Oracle and Salesforce or niche providers that focus on solutions for areas like fraud detection. At present there are different suppliers to choose from and they compete fiercely for business. But as artificial intelligence and machine learning becomes more important across many accounting activities, supplier power may likely increase. Although there will still be plenty of supplier products to choose from, it is likely that accounting companies will reduce labour to integrate more complex technology solutions to help them service clients. Therefore, these suppliers will become more important to the industry.

### **Intensity of industry rivalry (page 123)**

**What is the reasoning behind a high level of fixed costs meaning that a company is more willing to discount to utilise capacity?**

Fixed costs are fixed because whatever the volume of production, the same costs will be incurred over a period of time. For example, rent, insurance on the premises, loan repayments etc. The total cost of production is the fixed costs plus the variable costs, which are the material and labour costs involved in producing each unit of product or service. This means that the average cost per unit will be reduced if there is a greater volume of production, because the fixed costs per unit reduce as volumes increase.

If the fixed costs for an organisation are high, and they have spare production capacity, there is a great incentive for them to discount their price to sell more units. The organisation could discount their price yet make more profit per unit. This is because the reduction in average cost per unit due to the higher production volumes because of the higher sales, could be greater than the discount on the price.

Any sales price above the marginal (variable) cost will make a contribution to paying off the organisation's fixed costs.

### **Question 2.3 (page 515)**

**According to what is written under the second and the third line of the second paragraph on p515, 'exported' should be in front of 'processed', whereas the diagram displays that it is the opposite?**

There is an error in the text description. The value chain diagram is correct and the wording needs to change to reflect that in the answer. CPA Australia will correct this error in the next version of the Study Guide.

An example of the text would be:

Farmers plant coffee trees. The coffee seeds, usually called beans, are inside the fruit of the tree, which is often called a cherry. The fruit is picked or harvested. The harvested fruit is then processed to remove the skin, pulp and other layers that surround the coffee bean. The beans are then exported around the world. The coffee beans are then roasted, which may also include blending beans to create a particular strength or flavour.

### **Suppliers in the power-interest grid (page 155)**

**In figure 3.4, suppliers are shown in the Crowd quadrant. It seems that suppliers would always be here. Is this correct or can they be classified another way?**

Suppliers could be in another quadrant. In many cases, suppliers don't have a great interest in a company's strategy however, the airline industry is an example that differs. For commercial airlines, there are predominately two suppliers, Boeing and Airbus. They compete fiercely for buyers and there are not many to compete for. Buyers tend to "update fleets" rather than buy only a plane now and then. Therefore Boeing have a strong interest in the strategy of Qantas, or Singapore, or any large airline. They don't have a great deal of power to change Singapore Airline's strategy. They do not dictate what routes they fly, their pricing structure, the services they offer. But these two suppliers would be classified as Subjects and not the Crowd.

### **The answer to question 3.3 (page 530)**

**The answer states that the US government has a high power over Facebook but low interest, therefore Facebook should "inform" the government as a stakeholder management action. The theory on page 155 says that you inform stakeholders how have low power and interest (The Crowd). Which is correct? Also, can Facebook users really influence Facebook's strategy and are context setters?**

The suggested answer to question 3.3 is incorrect. To be consistent with the theory of stakeholder management in the study guide, stakeholders classified as context setters should be "managed". Considering Facebook users, we can debate if they have the power to influence the company's strategy. Many users were angry at the use of their private data. Investors sold off share stock in fear of government regulation that would reduce Facebook's ability to generate revenue. But this didn't eventuate and Facebook's share price has increased 220% since the low of 2018. There is enough information in the case to justify Facebook users being context setters.

### **The role of CPAs in data analytics and visualisation (page 159)**

**In the section Turn Analytic Insight into Commercial Insight it says CPAs should help management understand the commercial benefits of data analytics. It then goes on to say that CPAs should be able to deliver data visualisation. Does this involve programming and complex maths and is this really feasible?**

It is true that data analytics is now a specialised field however CPAs can play a role. The point the study guide is trying to make is that CPAs should be the gatekeepers of critical thinking. Is the data being presented accurate? What assumptions or biases could lead to an incorrect commercial insight being used to make strategic decisions?

You could work on data visualisation and use software created by others, but the CPA can still be the chief designer of how the visualisation will look. After all, accountants are normally well versed in excel, charts and pivot tables. Data visualisation programs like Tableau simply enable you to create more visualisations and faster.

## Different definitions/applications of a market (pages 126 and 163)

**The SG says in defining customers as a strategic driver we need to consider markets. It discusses markets as geographic only on page 162 and applies this in Table 3.3. In Module 2, the SG discusses market segmentation and here it provides more detail about different criteria to use to segment markets. It also says that markets are “less likely to be defined in geographical terms. Do these sections align?**

It is correct that lines between geographical markets are more blurred now due to globalisation. Ecommerce alone enables companies to sell globally. Amazon sells products in most countries across the world.

Although in the section Industry and Markets, it only discusses geographics, customer markets are also applicable. Table 3.3 has a column for customers. You can view as customer markets. It's important to understand that industries, markets, customers, products, channels are all interlinked. And in the webinars we make the point early on, that the original definition of the industry is critical to how you then break it down further. Markets can be defined as customer or product markets, or geographical markets.

## Knowledge Conversion (page 187)

**The study guide states that Figure 3.14 depicts knowledge transfer however the terms in the green boxes in the figure are not explained. How do we interpret this figure?**

Figure 3.14 shows how knowledge evolves. Imagine a master builder, or a baker, or metal worker, or chef. They just 'know how to do stuff' after years of practice. This is 'tacit knowledge' for the individual. It's often hard to teach or explain. So, the master gets an apprentice, and the apprentice just watches, and slowly learns by observation and copying. It is very time consuming and hard work.

If someone studies the expert, or the expert is good at explaining they can start sharing that knowledge to more people. (Look at the 'how to' videos on YouTube for car repairs or cooking etc). This is labelled externalisation. Organisations can also sit down next to experts and get them to write out step by step processes and instructions (systematisation). So, this starts pushing the 'tacit individual knowledge' upwards towards the 'explicit' boxes.

Once an organisation has the documents / workflow / knowledge, it trains up a team of workers. As employees practice this they get really good at it and it becomes 'tacit' knowledge (routinisation). If you have ever done a role where it happens 'automatically' just by practice then this is a good example.

## Module 4

### Double Diamond Model (page 232)

**Figure 4.5 is difficult to interpret. How do you read the red arrows, the term method bank, and is there any relationship between this and design thinking?**

The point of the two diamonds is to represent a first stage of divergent thinking, and then a second of convergent thinking. This means splitting the process into two stages – discovery and definition of the problem and creation and implementation of the solution. It is very difficult to solve a complex problem if you don't define the right problem at step 1.

The red arrows are telling us that it is not a linear process. You talk to people, collect information and define the problem. Then you consult more, get more feedback, and refine your problem statement; and so on. However, The Design Council also say that you can make prototypes and test ideas during the discovery stage. The stages are fluid and overlap. The design principles section does relate closely to the theory of design thinking. The methods bank is a repository of design methods that the council collated and structured into three areas to assist people in new product development. The Design Council created this model for others to put into practice, rather than wanting it to be solely a theoretical concept.

## Objectives of Market Entry (Table 4.15, page 258)

**This table is difficult to read and apply to case information. The text above the table says that the objectives and enablers in each row relate to the considerations but it is difficult to see these links. How do we approach using this table?**

If we consider reading down the columns it is easier to see a relationship down a row. Applying real case examples will help illustrate this. In this example we have tried to cover as much of the table as possible however, it is likely that a company would not be considering every column and row and the use of the table will be relevant to their unique situation.

Your Spanish furniture company wants to release a new range of high-end furniture, 100% made from recycled materials, and in a new geographic market. You have an expectation of gaining high market share with your new innovative product, and you want to be profitable. These are your market objectives (Market column, row 1). You will monitor your strategy with KPIs (row 2) such as market share %, sales, gross margin. Your timing of entry (row 3) depends on other existing players. Let us propose that no one is doing luxury recycled furniture. You can go with first-mover advantage.

Which new market will you target (row 4)? You will do a thorough analysis of market potential (PESTEL), profitability etc. Let us say you decide on Australia. Strong disposable income, social trend to recycled products, high tech manufacturing, few rivals, easy to enter. How will you enter (row 5)? Your own stores, export through an agent, strategic alliance with a famous furniture brand?

We can return to the top row now and look at the resources column. Your company needs access to recycled material that can be used effectively. We may not view this as a “natural resource”, but it is required anyway. Will you make the furniture in Denmark, Asia (cheaper labour) or Australia (marketing and close to market)? KPIs that will help you monitor this are costs (row 2), quality and access to suppliers. If you go in first, you hopefully capture the resources you need before competitors.

Moving to enablers and the column Learning, we focus on what the furniture company will need to learn by going ahead with this market entry. They must understand what best practice in recycled furniture manufacturing is and how they will compete in the Australian market. To measure this might include KPIs around innovation, systems efficiency, learning and development of employees (row 2). The timing (row 3) for this enabler is difficult to predict but is related to when you understand this new market to a point where you compete as well as anyone else. Your chosen geographic market might need certain resources and experience to assist you (row 4). If Australia does not have a recycling industry, it would be a risky bet to try to develop it for them. Assuming they do is it better to learn how to be successful by setting up a joint venture or aligning with universities or other institutions that enable you to observe the market.

Finally, we have the column for coordination. In order to understand the Australian market you might consider setting up a small base (row 1). You will have key timeframes to meet (row 2) to ensure your entry is not too slow and the timing will be in stages (row 3). Perhaps it is one showroom in Sydney where high-end fashion retailers are. Or maybe you set up warehouses in Melbourne, Sydney and Brisbane and find a strategic alliance with a volume home builder. There are various options for how you set up your locations (row 4) and your how you coordinate your operations when you enter (row 5).

### **Strategic drivers (MOSM page 306, answer: page 552)**

**Question 5.5 – The answer shows in the second column the strategic drivers. It also mentions product and service competencies and operational competencies but are these strategic drivers?**

No, they are not strategic drivers, they are referencing organisational and people levers. These are relevant because the organisation needs to understand which levers to pull (which competencies, capabilities and resources they need) to successfully deliver the strategy. The levers are listed first in each row (right column) and the driver is listed below. Note that two of the drivers also cross references with Ansoff's product-market matrix however, here we are only linking to the strategic drivers of industry, markets, products, customers and competitive advantage.

**Question 5.5 – The second strategic option is to focus more on the domestic market. The answer states this is market development however, if they already operate in this market, why is it not increasing market penetration?**

If we consider Ansoff's product-market matrix then yes, it more likely that this option relates to market penetration and not new market development. The case facts state that 2.9 million domestic tourists visited the ACT. Therefore, it appears incorrect to conclude that the domestic market is a new market. If we consider markets as a strategic driver, then they want to develop this market further. The table using Ansoff terminology confuses the application of the strategic drivers from Module 3.

**In Figure 5.9 (page309), the strategic driver in the blue box is moving into new markets to include supplementary services. In question 5.5 the answer stipulates that this strategic option is about new product development. Which is correct?**

We can separate these statements so that one refers to the product-market matrix (Ansoff), and the other refers to a strategy of operating in a different industry (but selling to the same group of customers). However, the study guide text here may be misleading. If the option of starting a five-star restaurant is a new product and we believe it is a new market, then it is a diversification strategy. However, if we take the answer to question 5.5 as correct, then it is product development. If we interpret it this way, then the driver shown in Figure 5.9 will be products and not markets.

### **Rumelt's evaluation – internal consistency (question 5.12: page 334; answer: page 556)**

**The answers to the question appear to draw from information outside the case or makes assumptions that we know the company TPG. Is this expected in the exam? One question asks what happens if the company does not implement the theme. Why is the only answer that the merger will fail – which indicates that it must have gone ahead anyway?**

Questions in the study guide do sometimes assume that students have a certain level of knowledge about industries and some large companies. These questions are designed to help you understand the material more deeply, so they are sometimes written in a broad way. For example, it is likely in any merger that products and services will need to be re-evaluated. In your CPA exam, you are only required to focus on the contents of the study guide, or the specific case facts and information that are directly in the case provided to you in the exam.

In relation to the question on what happens if the theme is not implemented, the point of this prompt question for Rumelt's evaluation framework, is to ask whether it makes a difference to the company. In most cases it will be yes. TPG want to merge to grow revenue and compete by owning infrastructure. Without Vodafone, they can still compete in the market, but will not realise the growth and profitability they want. In a different example, a company might want to implement a large cost-cutting program due to negative external environmental issues (think pandemic, right now). If the strategy is not approved by the Board, the company's profits will likely decline, and it could be under financial distress. Different strategies will have different degrees of risks associated with not proceeding, just like they will in implementation if the strategy is approved.

### **The McKinsey 7-S elements that make an organisational operationally effective (page 365)**

On page 365, it states "The 'hard' elements are strategy, structure and systems. If a manager gets these three elements right, the organisation should be effective from an operational standpoint" - so this is strategy, structure, systems. However, on page 368, it states "These three elements that are those most associated with allowing the organisation to become operationally effective: structure, systems and staff."

These two sentences don't align because of the addition of staff on page 368. However, on page 368 we can alter the relevant sentence (the paragraph above the title Structure) to say, "These three elements that are those most associated with allowing the organisation to become both operationally effective, or to deliver competitive strategy are: structure, systems and staff."

### **Managing change (page 384)**

**In Figure 6.4, for each of the resulting issues, is it only associated with the one empty box space in the grid?**

This figure is a graphical representation of a model. You will experience inertia in change if there is not a compelling case. You may also experience inertia if adequate resources are not supplied. You will also experience significant frustration. The grid is showing us key issues and key likely causes. They are not the only causes but are common ones that will result in that change issue.

### **Dashboards versus Balanced Scorecard (page 398)**

**Technology insight 6.5 describes dashboards. They appear very similar to the balanced scorecard and so how do we tell the difference between them?**

Generally, a balance scorecard (BSC) is not regarded as a dashboard. Dashboards do not have to measure performance across four perspectives, and they don't necessarily provide an overall strategic view of the organisation. They can be used by project managers to manage actions in detail, or by senior management to monitor a large change program. They may be heavily numbers focused or very visual – there are many ways to represent the tracking of performance. Management might include dashboards in the monthly Board report but they will be separate from the BSC.

### **Resistance to change (page 405)**

**What is the difference between group inertia and habits and security?**

Both terms are discussing the status quo that we, as humans, feel secure with. Group dynamics requires several people to feel the same way about their values, their needs, their behaviour. A union is one example in an organisation that displays group dynamics. An organisation may want to implement a strategy that changes the working conditions of employees. If many of them are in a union, then they will likely have the same beliefs about the working conditions they should receive. They will likely show resistance to the change as a group. Habits and security are at an individual level.

### **Newvines business model canvas (Figure 7.5 page 430)**

**The suggested answer in the canvas for customer relationships is “direct mail and email”. The text in Figure 7.3 discusses aspects of how to attract customers and build relationships. In channels it asks how customers want to be reached. Should the information on direct mail and email in Figure 7.5 be in customer relationships or channels?**

The inclusion of channels of communication in customer relationships is incorrect. Referring to the source material by Osterwalder and Pigneur, they state that customer relationships is about the type of relationships, how they are established, how they are maintained. For example, are the relationships transactional, long-term, personalised or more automated, or driven by communities.

Channels covers the communication, distribution and sales channels that comprise the company’s interface with customers. This means whether you sell online or in store, whether you communicate via email and social media or broad advertising. It is about touch points with the customer.

### **Design thinking (page 442)**

**Design thinking is discussed in detail in Module 4 and mentioned again in Module 7. Why is CPA’s Figure 7.9 different to the IDEO’s table in Module 4? Which is correct?**

Both Table 4.12 and Figure 7.9 are explaining the same concept. The key difference is in Figure 7.9, CPA has split the experiment into prototype and test, and renamed evolution to implementation. If you see a question on the stages of design thinking, refer to table 4.12, because Figure 7.9 does not name the columns as stages.

### **Question 7.10 (solution, page 447)**

**In the answer it states that for Architectural, BuzzFeed added to the value chain by instant messaging links of popular stores from other websites, and used curators to provide summaries of stories. Does this align with the value chain approach more than architectural? Considering disruption, how is collating news stories disruption when traditional news companies have been doing this for a long time?**

The answer could outline the argument for architectural in a clearer manner. They did create their own platform which is quite different to other news services. They utilised IP with their algorithms (hence building a moat more than storming a hill). This changed where readers got their news from, and possibly has influenced them to seek news from sources they would not have in the past. They may have also influenced news providers as BuzzFeed became a more powerful platform.

In relation to disruption, the study guide answer could be strengthened. What BuzzFeed caught on to was using data analytics to provide a better service to the customer. We could get our news from one source and feel it was the news we wanted to read. They may have been collaborating early on by taking news from a range of sources but soon they became their own offering and were taking the incumbent organisations head-on.



### **Example 7.9 (page 456)**

**I tried to apply the different responses to disruption but could only come up with the milk strategy. How do you apply the concept to this example?**

The text says that the example examines various strategies but yes, it is difficult to justify more than a few. If we are only considering the present situation in the example, then the milk strategy is the predominate strategy. The first business owner is buying in bulk and the example of the second business owner is running an e-commerce store. They are attempting to disrupt the current business strategy by competing directly with the larger players however, we need to keep in mind the example is discussing regional retailers who do not have the financial or operational resources to aggressively compete with disruptors. The example says that retailers may not survive so we can consider the exit strategy as a future option.

Note that it would be difficult to find a real example that applied many different approaches, however the taxi industry is perhaps one. They first attempted to block Uber. At the same time, they are obviously still running and trying to milk their current strategy. Some taxi companies have disrupted their current business strategy by investing in their own apps that are like Uber's. It is difficult for them to retreat to a strategic niche unless they all try to become high-end limousine taxis. The exit strategy is probably where most operators are looking to these days.

### **Example 7.11 (page 460)**

**It is difficult to apply the preceding concept about the characteristics of emerging national markets.**

The concept of socio-political institutions is well covered in this example, however, other issues are infrastructure, raw materials, low-income conditions and distribution channels are not covered. If you consider other companies and industries when you read the business news you will find examples of characteristics of emerging markets. Another link you can make to this example is about the concept of different business conduct standards from the end of Module 4.

### **Question 7.12 (page 460)**

**The suggested answer has a table with a column heading: case facts, but it does not supply any.**

For Question 7.12, the case facts were omitted and this will be rectified in the next update.