

## Part Two – Chartered Governance Qualifying Programme

# Development of Strategy

### Sample of Marking Scheme

**Time allowed:** 3 hours (plus 15 minutes reading time)

**You must not take this paper out of the examination room.**

The examination paper contains **6** questions of which you must attempt **4**. You must attempt **3 questions** in Section A and **1 question** in Section B. The questions in Section A are based on the pre-released case study whereas the questions in Section B are not based on the pre-released case study.

Each question is allocated 25 marks. There are **100 marks** available in total for the paper.

**Note:** Unless otherwise specified, you should assume that an Act or an organisation referred to in the question is a UK Act or organisation.

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# Pre-released case study

Solid Ground Limited (SGL) are specialists in concrete. Established in 1950, by Norman Ayresome, in Middlesbrough, UK. They have grown on average by 5% per year and provide services to heavy industry, the commercial building and infrastructure sectors. Their first customers were the local chemical and port companies that developed quickly in the 1950s and SGL used this to gradually expand from Middlesbrough across the north. They have taken few risks and always stayed within their comfort zone, responding to customers' needs rather than leading change. This proved very successful as by the end of 2022 they were turning over £750 Million. However, they are still seen as relatively small in a sector whose total turnover in 2018 was £113bn and they don't rank in the top 10 companies by activity. They have 5,000 employees and operate across the UK.

SGL is still a mainly family-owned business, with the grandson of the founder, Michael Ayresome as the Chief Executive Officer (CEO). They have attracted external shareholders. This allowed the family to release cash as well as using new funds to develop their own building technology in the 2000s for which they had defined and known customers. The Ayresome family retain 40% ownership of the business and control another 15% of the shares held by the SG Community Trust that is chaired by Michael, and funds environmental and social projects in Middlesbrough. They have received in the region of £35M per year for the last 10 years.

There is a strong Board of Directors of 10 people all based locally and holding industry relevant knowledge and backgrounds:

- Public sector and utility infrastructure works
- Road construction
- Finance
- Marketing
- Sustainability
- Human Resources (HR)

The Board has an independent Chair, Martin Alexander, a civil engineer and the majority of the Board are non-executive directors (NEDs) and includes 4 women (above the industry average). The company has a strong balance sheet with reserves of more than £300M and has no debt.

Michael has a strong desire to explore and develop new market opportunities in the face of a rapidly changing global market and has a civil engineering degree with a strong focus on sustainability. Michael has grown up with the business and has worked for the business for 10 years.

During his studies, Michael has been strongly influenced by Jack Welch, the ex-CEO of General Electric, particularly the maxim, "if you are not number one or two in your market, you should get out". SGL are not in the top 10 let alone the top 2. So he has spent the last 2 years refining his own thoughts on future and considering the long-term prospects of the business by asking 'Where can we be number 1?'. and 'What do we want to be by 2050?'

A luxury he can adopt given the family control of the business. He has considered a range of issues that the sector and the UK have faced:

- **Net Zero targets**

The UK government's plans to reach 'Net Zero' by 2050 is likely to impact road building and Michael foresees a reduction in road travel as the transport culture is affected. He predicts that this area will plateau.

- **Low Carbon Buildings**

Increasing interest in low carbon building (where organisations seek to reduce carbon emissions from new private and public buildings), Michael recognises that SGL have no position in private housing, although some in the field of large social housing units. In this they have developed techniques to speed up the build process for office blocks. This technology was initially taken up by other companies licensing SGL's techniques in social housing in 2005. SGL followed suit in using the technology in its own work when customers came to them. Michael now wants to be more aggressive in using this capability as he feels that this is a potential growth area, with the market set to expand.

- **Working from home (WFH) culture**

A rise in WFH culture seems likely to reduce the number of office developments (historically an area giving strong returns) and one where SGL have made significant investments to innovate new construction methods which reduce build time for office blocks of up to 10 floors. Michael believes that office development will stagnate in the future and may prove difficult to grow. He believes that there will be replacement work.

- **Renewable Energy**

Michael believes that this will be a significant growth area in the future, but also recognises that other companies are better placed to exploit it and have a head start on SGL. Michael believes that as SGL cannot be number 1 or 2 in their existing market, they must go for something new. He has spoken to leading academics and has identified what he sees as the big opportunity: the refurbishing of the existing housing stock to be low carbon (retrofit). He has reviewed the statistics on housing and sector by sector emission and has identified that retrofit is a significant opportunity. There is currently no dominant company in the sector, but there is significant projected future demand. However, to realise this opportunity will require investment in capability and capacity that is not happening across the industry. Existing companies undertaking this activity are small and over stretched. The investment required will be significant and few have the resources needed.

Therefore, Michael sees the opportunity in the retrofit of existing houses with low carbon technologies. In a further market segmentation, he wants to focus on terraced housing which makes up a large percentage of the housing stock, some of which has been bought by social housing companies. It also provides for future export as terraced housing is common in many northern European countries.

This market is clear from the statistics:

Table 1: Age of UK Housing stock number and percentage

Age of housing	Number (Ms)	Percentage %
<b>Pre-1919</b>	<b>5.87</b>	<b>20.5</b>
1919 - 1944	4.28	15.0
1945 – 1964	5.47	19.2
1965 – 1980	5.70	20.0
1981 – 1990	2.28	8.0
Post 1990	4.90	17.3

Table 2: UK Housing Stock by type and percentage

Housing type	Number (Ms)	Percentage %
<b>Terraced</b>	<b>7.83</b>	<b>27.4</b>
Semi-Detached	7.13	25.0
Detached	5.11	17.9
Bungalow	2.50	8.8
Flat	5.96	20.9

Michael has spoken to Martin and has proposed a strategy that will use £150 million of their reserves to develop their retrofit capability and activity. One of the reasons the sector is difficult to enter is the need to work with local communities, as the work is best undertaken by collective street-by-street activity. It will require the development of local skills given that activity is required in every town. In both areas SGL are strong given their Trust activity and investment in local training facilities.

It has been estimated that an average of £20,000 needs to be spent on every house. Given this figure, Michael has been talking to investors to fund a new subsidiary of SGL to create the means for households to secure the necessary funds. He envisages a need to secure investment of around £1 Billion allowing the work to be done and being paid for by household bill savings as opposed to households paying on completion of the work, thus creating a new business model. Expecting households to pay upfront would limit the ability to undertake the scale of investment. Removing the financial barrier will make the work easier to undertake and minimise the disruption. The availability of a finance company working alongside SGL would allow them to become market leader in an emerging market. They would have an innovative business model, that given the number of homes that need retrofit will provide a constant workload through to 2050.

Michael is also talking to Middlesborough’s Mayor about accessing government funding to support the investment that SGL will make alongside private capital to address the issues in terraced social housing. His target is over the next 3 years to retrofit 200,000 homes.

This will fit the UK government’s agenda which has highlighted a need to retrofit 19,000 houses a week for the next 25 years to meet its own target. The strategy is that over 3 years SGL will become the market leader, specialising in terraced homes and environmental retrofit construction. Michael believes this will allow them to dominate this specific market and to develop new services through by harnessing new technologies and approaches when undertaking street wide retrofit activity.

Michael sees a need for a larger company to enter the market who can invest in training and skills development, as well as proactively working with new technology solutions that can drive down the cost of retrofit. He sees SGL as providing the catalyst for change. This addresses the issue that currently companies in the retrofit market are community groups or community-based companies. They are geographically focused, small scale and lack finance. Building contractors in general are too busy on existing work and are not investing in the carbon zero agenda.

While homeowners are interested in reducing their carbon footprint, they have no trusted company to turn to leaving them frustrated. The investment by SGL would make them the first large company to enter the market with the funding to make it happen. They have the connections within the construction sector, access to the supply chain, and to the training providers in construction in the Middlesbrough area that can provide the skills needed.

Michael's strategy sees the continued operation of SGL's core business, but over a 10-year period, a progressive movement away from this to concentrate on the retrofit activity. This would maintain a steady revenue stream that would allow for the on-going investment in the new business from the consistent returns from the current business.

However, Michael has been met with resistance to his new strategy. The Chair, Martin, anticipates significant opposition from the Board, who want to continue business exactly as they have done for the last 70 years; steady growth, staying mid-market and achieving sustained profits. They see the new strategy as risking the future of the company and its 5,000 employees by backing a project where they don't see the necessary long-term commitment from the government or the wider market to make it happen. They hear the words of government ministers and local councils but think that resistance will be strong as convenient gas solutions are withdrawn, especially given the current cost of living issues. Therefore, making a significant 'bet', as they see it, on the future outcomes is a step too far and beyond the steady approach that SGL has always taken. There are four supporters for the proposed strategy on the Board. The second-tier managers are equally split: of the 10 second tier managers who report into Michael, 6 are against the move, 4 are in support.

The size of the task does not phase Michael; he has a vision, and he believes that the business has resources and that he has the personal skills to make it happen.

# Section A

Questions 1 to 4 are related to the pre-released case study. Answer three out of four questions.

## QUESTION 1

SGL faces several choices given the marked change in strategic direction that is being proposed by Michael. Martin, has asked you, as an independent consultant, to examine SGL's existing strategy and proposed new strategy, using two or more strategic tools and to critically assess the challenges involved in the proposed new strategy.

(25 marks)

Question number	Indicative content
1 25 marks	<p>This question requires that the student should assess what the strategy has been for SGL over its history and to examine how the proposal is a departure from the past. Therefore, the essence of this is the assessment of existing and future strategies.</p> <p><b>Answers could include the following content:</b></p> <p>To date it is very clear that the strategy of SGL has been one driven by caution, nothing too radical, steady and following the market. They have expanded consistently within the civil engineering sector of public infrastructure and office developments. At the same time they have also sought to develop new technology in office development but only within the same area in which they have historically operated. In undertaking this work they have been very successful. They have built up significant returns while taking on no debt. This has allowed the Ayresome family to remain the dominant shareholders. Had they gone down a more aggressive growth path they would have needed to take on debt, increase the number of shareholders and manage increased risk. Therefore, the strategy that is being proposed runs against the approach that has historically been taken by the business as it involves taking on debt and taking on risk. Therefore, in reviewing the way forward it is relevant to look at the strategy that has been pursued to date and how the new one sits alongside the approach since SGL was founded.</p> <p>The strategy to date has been focused on market development and market penetration. SGL began and has remained in the larger scale civil engineering sector of public infrastructure e.g. water or roads and larger commercial development in terms of office and industrial buildings. The linking factor in this has been the core use of concrete as the building material of choice. Therefore, in explain the existing strategy Ansoff provides a good starting point. The company began in Middlesbrough, an area renowned for its heavy industries associated with shipbuilding and the chemical industry and alongside this port and road infrastructure.</p>

Therefore, the existing strategy has been one of market development within this local area and marketing penetration as it expanded across the north – so it fits into the left-hand quads. It has focused on the bottom left and moved to the top left (as they moved out of Middlesbrough or into new sectors). They have also made tentative moves into the bottom right (as they developed new techniques that could be sold onto other building companies), though even here they have been conservative in their approach and followed demand from customer. The new proposed strategy can also be explored using Ansoff – this would be to the right – it is moving onto new products and into new markets. The new products would involve using and adapting their low raise capability to renovate social housing for low carbon and diversification as they moved from their existing market into the housing market and developing new technologies. The diversification would be out of the existing industries into residential property and financing of relatively small activities by households.

Market Development	Diversification
Market Penetration	Product Development

Students could also use Red Ocean – Blue Ocean as an explanation for the new strategy in the past and into the future. In their current market they are a relatively ‘small’ company that is not significantly influencing activity and is largely a price taker as opposed to a market maker that being number 1 or 2 would allow in the existing market for concrete.

This current sector is very much a Red Ocean – they are small in the overall market and as a result are a price taker. This explains their solid but not startling growth over the years. Michael’s strategy, however, is very much Blue Ocean – defining a specific new market that they could move into that is unoccupied. This has followed an examination of current activity; the direction of government and climate policy and an exploration of where new markets will emerge. This has led to the conclusion there is a new market sector that Michael believes they can dominate. In this situation they can increase their growth path by being a market maker, developing new technologies and being ahead of the competition. This is evident by Michael seeking to create new business models for financing retrofit activity and adopting new technology that will profit from its successful implementation – but contains risk. This is therefore a challenge to the cultural mindset in the Board and Senior Management.

Equally Michael Porter talks about the essence of strategy being about the choices that are being made. The approach adopted by Michael Ayresome is one of clear choice – essentially choosing to use the surplus from one area of activity (which is steady) to opening a new one that is clearly subject to uncertainty but where there are no dominant companies and significant growth potential for the ‘winner’ as the market grows. Looking at Porter’s generic strategies the proposal from Michael is a clearly a strategy of specialised differentiation. He is seeking to move into a defined market – housing – and within this into a defined section of the housing market – terraced housing – that makes up a significant share of the total market. This process of dividing the market is specialised and seeks to understand this sector in detail so as to out compete potential competitors.

To firm up its strategy SGL will have to undertake careful planning. The work that Michael has done shows evidence of undertaking necessary market research, talking to finance community, and taking the readings from the external environment but is not yet a route map to implementation. The growth itself is seen as organic (using internal reserves) and attracting new capital. They could have taken an M&A approach but there are no big competitors to acquire. Therefore, the approach proposed is logical if the Board wants to go down this route, though not without risk. However, the speed is rapid and may expose the business to significant risk if there is a change in the external environment. These could be reduced by a strategic alliance – but this is difficult given the lack of companies in the market. The approach to the local Mayor is a form of strategic alliance to manage this risk, though this attracts its own risks as well.

In terms of challenging the strategy the answers could use several strategy tools. To do this, students would turn to Section B of the module’s syllabus. This explores the capabilities and competences of SGL now and in the future.

The first is assessing their capacity in the new proposed market. This is low – they have no experience and will have to (as Michael proposes) invest heavily. They have the contacts in the industry. But this is inherently risky as they are going into areas that they have limited expertise. While the direction of travel is with Michael in terms of what the market needs, they will need to develop expertise, but this involves risk.

Therefore, in terms of core competence in the residential market they don’t have any. To assess this the students could use the VRIO assessment. This would conclude that they don’t have anything that is protectable unless they buy it in and create the opportunity. This would be highlighted by a gap analysis of the capabilities that would have to be acquired by SGL if they are to pursue the strategy. This could be undertaken using a SWOT/TOWS assessment.

There will need to be a capability assessment undertaken – this will be key as they don't have the skills (few do) and so the targets set within 3 years are ambitious. Therefore, the reality is it would take longer. Therefore, careful scenario playing should be employed. This may mean that the ambitious growth targets envisaged by Michael aren't achievable.

Lastly a risk assessment could be undertaken. As the funding from the company would come from reserves it could be argued that this is not risky. The risk comes in an inability to invest, as a result, in their existing markets because the investment would be placed in a new business with a shareholding from SGL it would provide a degree of protection of the current core business to risk.

This can lead to the development of key priorities for the future that can produce a strategy using the SAFE framework – Suitable, Acceptable and Feasible. This could argue that while it is feasible (they have the money and the contacts) that given their past strategy, activities and conservative approach is not suitable or acceptable to the current Board.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-12	<p>The answer has only weak or no reference to the case study</p> <p>The answer fails to address the existing or proposed strategy using appropriately named models</p> <p>There is no critical analysis of the options being considered</p>
<b>Level 2 (Pass)</b>	13-16	<p>The answer has good reference to the case study</p> <p>The answer addresses the existing and proposed strategy using appropriately named models but with gaps in coverage</p> <p>There is critical analysis of the options being considered</p>
<b>Level 3 (Merit / Distinction)</b>	17-25	<p>The answer has very good reference to the case study</p> <p>The answer strongly addresses the existing or proposed strategy using appropriately named models</p> <p>There is very good critical analysis of the options being considered</p> <p>To be considered for distinction:</p> <p>The paper uses the SAFe framework at the end to draw conclusions to the chair on degree of fit of the new strategy as against the old.</p>

## QUESTION 2

Michael's new strategy may not be readily accepted as the Board and the senior managers on balance oppose it. Given this, as Company Secretary you have been asked to prepare a paper for Michael that:

- a) Discusses the potential reasons why most of the Board and Senior Managers are opposed to Michael's new proposed strategy.

(12 marks)

- b) Consider the role of Directors and their responsibilities and assess the approach that Michael could adapt at an Annual General Meeting (AGM) to achieve the change of strategy. This should not undermine the current activity of SGL and make a recommendation as to the route to take.

(13 marks)

(Total: 25 marks)

Question number	Indicative content
2 (a) 12 marks	<p>This question is about managing change and potential conflict. The students would be expected to understand and detail the reasons why change is difficult for many Board members and staff and to make a recommendation on the approach that could be taken to bring them along.</p> <p><b>Answers could include the following content:</b></p> <p>Historically the business has been conservatively managed. It has achieved steady growth and has it seems taken few risks. Therefore, the degree of change proposed by Michael will cause difficulty for both Board members and senior managers who have likely joined the company because it had the culture and risk taking that is the norm. This opposition will come out in different ways and cannot be left unaddressed by Michael if he is to achieve the endorsement and support that he will need to make the change.</p> <p>As a result of the history the personnel on the Board and in senior management are likely to exhibit this same degree of conservatism. Michael is disrupting what has been a stable environment where little has changed year-on-year, there has been a gradual development of activity and areas of operation. To explore this, students could use Johnson's cultural web to highlight that the existing culture is risk adverse and the symbols and processes have encouraged this. This is evident in the Board that meets what is expected of them on issues of NEDs and diversity as well as community engagement. They adopt good practice and don't seek to make sudden changes.</p>

As a result it would be expected there would be opposition to the radical proposals that Michael has developed. This can be assessed using (moving into Section F of the syllabus on managing change): Lewin – Force Field analysis – this would look at the driving forces for the change and the restraining forces.

There is a need to change that is inherent in responding to climate change, but this is often seen at a level significantly above a relatively small company in their sector. Many on the Board will accept the need for change by the country but don't see them as leading the change. They will follow others. Because of the past they will be more cautious businesspeople and will not want to jump as far as Michael. They will have seen others in their sector like Carillion's collapse when they sought to move into non-traditional activities such as energy that are away from their core business. This would raise doubts when there is no one forcing them to change.

This would allow students to define the Kanter – 10 reasons for resistance and the Kubler-Ross 5 stages of grief which are both relevant:

Loss of control  
Excess uncertainty  
Surprise, surprise  
Everything seems different.  
Loss of face  
Concerns about competence  
More work  
Past resentment  
Sometimes the threat is real.

A number of these are very relevant in terms of 2), 4), 6) and 7).

Therefore, this could result in the Michael having to exhibit strong leadership skills to highlight that the risks are worth it, and that success will build the long term future of the business. Here he could use Kotter's 8 stages of change:

Establish a sense of urgency.  
Form a leading team.  
Create a vision.  
Communicate the vision  
Empower and involve others.  
Create short term wins.  
Implement and consolidate.  
Institutionalise change.

If Michael insisted on the strategy proposed (he has the voting ability) then he may need to bring new Directors onboard as even though the investment would be going into a new entity the existing Board would have to agree to this. Equally some of these Directors may choose to resign if they are not convinced.

Either way this could create instability in senior managers who already on balance oppose the strategy. This instability can result in the loss of talent if individuals choose to leave the company. Although this provides Michael the opportunity as per Kotter to bring in new people that do support the approach proposed.

Either the loss of Directors or Senior Managers would not assist Michael's strategy.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-5	<p>The answer has only weak or no reference to the case study.</p> <p>The answer fails to use suitable models on the causes of resistance.</p> <p>The answer doesn't explore the process of how to successful manage change</p>
<b>Level 2 (Pass)</b>	6-7	<p>The answer has good reference to the case study.</p> <p>The answer uses suitable models on the causes of resistance.</p> <p>The answer explores the process of how to successfully manage change</p>
<b>Level 3 (Merit / Distinction)</b>	8-12	<p>The answer has excellent reference to the case study</p> <p>The answer makes excellent use suitable models on the causes of resistance are explored in-depth.</p> <p>The answer explores in detail the process of how to successfully manage change</p> <p>To be considered for distinction:</p> <p>The answer draws conclusions at the end on fact that it is not advisable for Michael that Board members and Senior Managers resign as this will cause instability at multiple levels and make cause issues with existing activity.</p>

Question number	Indicative content
<p>2 (b) 13 marks</p>	<p>This question is asking the student to explore the future governance (Section C) that will be required to support the development of the company as defined by Michael and the process of transition from the current position to a new one. It assumes that Michael will vote for the change at the next AGM.</p> <p><b>Answers could include the following content:</b></p> <p>It is clear from the case study material that the current Board are:</p> <p>Clearly in support of the existing conservative, steady strategy that has been pursued by SGL in the recent past. They have significant experience of the construction sector, primarily in the commercial sector. They do not on balance endorse the new approach proposed by Michael.</p> <p>Given c) an important consideration for Michael will be a managed approach to change the membership of the Board.</p> <p>To address this, it will be first important to consider the role of the Directors in relation to their responsibilities to the shareholders and any vote at an AGM:</p> <p>A director of a company must act in the way s/he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to: the likely consequences of any decision in the long term, the interests of the company's employees, the need to foster the company's business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company.</p> <p>Michael, who has the voting power to achieve change at an AGM but needs a Board that is prepared to oversee the delivery of the strategy. This may prove difficult for some members and so Michael could be recommended by the Company Secretary to carefully consider any motion that is proposed to an AGM to ensure that he doesn't cause instability inside the business and potentially with customers.</p> <p>Michael may conclude from his soundings that the current Board are not the best people to direct the business that he wants to oversee. This is highlighted by Wearden in the study text as a triangle of Strategy-Control-Risk.</p>

In each of these three areas the current Directors cannot fully fulfil their role:

Strategy – They appear not to see it as the best approach for the business and its long-term direction.

Control - they don't have the necessary expertise in the area in which Michael is seeking to take the business.

Changes to the Board membership, but this must be managed carefully not to.

Risk - they potentially see more risks than benefits from the new strategy. Given this, Michael could be invited by the Company Secretary to consider changes to the structure and governance of SGL. This would require destabilise the business and its stakeholders.

This will be complex as there is the on-going business that still requires the overall expertise and experience of the current directors. There is no evidence that they are not the right people to oversee this role. However, they have no experience in terms of residential building and of retrofit and so Michael could look to create new structures for the future while maintaining current business success using money invested by SGL.

This may provide two options for Michael:

Change the current Board by removing some members that don't agree with the new strategy and recruit new ones. This is risky and would look like a governance problem if 60% of the Board resigned.

Potentially establish a new overall parent for a new entity called Solid Ground Group for example, and under this to have the current Board managing the current commercial work and a new Board to manage Solid Ground Environmental (or similar name). They would be some common membership and new expertise on the new SGE Board. The SGG would also require a Board to be recruited. This could be smaller in size than the other two.

The recommendation would be for the latter. This will provide less instability that can result from changes to the Board while also providing an avenue for those that support the new direction to shift into the new entity at both Director and senior management level.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-6	<p>The answer has weak reference to the case study.</p> <p>The answer does not detail the role and responsibilities of a Director in relation to shareholder decisions.</p> <p>The answer fails to assess different approaches that Michael can use to get support for this strategy.</p> <p>The answer fails to make recommendations on the approach that Michael can take</p>
<b>Level 2 (Pass)</b>	7-8	<p>The answer has good reference to the case study</p> <p>The answer pulls out the role and responsibilities of a Director in relation to shareholder decisions.</p> <p>The answer has good assessment different approaches that Michael can use to get support for his strategy while preventing resignations.</p> <p>The answer makes limited recommendations on the approach that Michael can take.</p>
<b>Level 3 (Merit / Distinction)</b>	9-13	<p>The answer has strong reference to the case study.</p> <p>The answer is excellent on the role and responsibilities of a Director in relation to shareholder decisions and the consequences.</p> <p>The answer has a very good assessment of the different approaches that Michael to gain support for this strategy and preventing resignations.</p> <p>The answer makes excellent considered recommendations on the approach that Michael can take. To gain a distinction:</p> <p>Explores the option of a more significant restructuring of SGL's governance to manage the shift in strategy.</p>

### QUESTION 3

Michael has the voting power to endorse his new strategy at an AGM. A sympathetic minority shareholder and Trustee of the SG Community Trust (but not on the main SGL Board) has asked you, as a consultant, to advise them on the potential for instability from an enforced change by Michael at the AGM. They have asked for a report that:

a) Prepares a stakeholder analysis and stakeholder map for SGL identifying the key stakeholders that Michael will need to support the strategy changes. In this assessment you should identify 3-5 key people/organisations that Michael will need to persuade to support this strategy with an explanation on your choice.

(12 marks)

b) Propose from this stakeholder analysis three scenarios that SGL's Board could consider as to how stakeholders may react, and the risks associated with each one and potential mitigations.

(13 marks)

(Total: 25 marks)

Question number	Indicative content
3 (a) 12 marks	<p>This question is in summary asking the student to undertake a stakeholder analysis and mapping to highlight those that Michael would have to bring onside with his strategy and to assess the degree of influence these stakeholders have on the decisions or any consequences of the decisions taken.</p> <p><b>Answers could include the following content:</b></p> <p>The answer should provide background on stakeholder management theory and address why stakeholder mapping is a critical aspect of the strategy development process i.e. about gaining the support of those that are affected by the strategy and have the ability to influence for good or bad the approach that is taken. Stakeholder analysis and mapping tend to divide different stakeholders into groups based on their degree of power (low to high) and interest (low to high) into 4 groups:</p> <p>Monitor Keep informed. Keep satisfied. Actively engaged.</p> <p>Equally they could identify the stakeholders (some listed below) and define their primary and secondary expectations from SGL.</p> <p>Out of this assessment several issues would be addressed:</p>

The focus of SGL's is the region in which they are based and have a long history, employing people and are well known and therefore there will be significant local interest and debate about changes at SGL.

To answer this effectively the candidates should insert a stakeholder map diagram (via the insert table capability) looking at the internal stakeholder, external stakeholders and market stakeholders (p189) and identifying the expectation of each stakeholder using Lynch's model (p189) of primary and secondary expectations.

This can feed into the 2X2 grid of power and interest for the key groups and placing the groups in the appropriate box with a justification based on their power and influence:

Board members especially the Chair

Existing contracts and projects

Employees and trade unions

Shareholders

Environmental groups

Housing Associations

Local authorities

Local supply chain

Local technical colleges to develop the skills required

Politicians

Local news papers

Local Community

Banks

Households wanting to undertake the necessary investment

From undertaking the stakeholder mapping and interests effectively SGL can begin to develop a communication strategy to work with each of these stakeholders or groups within the stakeholders. This would clearly fail predominantly on Michael and the Chair.

Out of the stakeholder assessment the candidate would be able to define several key stakeholders:

The Board members – they have influence and power given their status on the Board.

Existing customers as they would be very concerned about the stability of the business.

The Community Trust Trustees as though Michael exercises their vote at the AGM he will need their support.

	<p>The local technical college who would have to invest alongside SGL to develop the skills base.</p> <p>Local newspapers/media because of the degree of interest in the business due to its local employment.</p> <p>Others would be possible based on a logical explanation.</p>
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Marking Scheme

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-5	<p>The answer has weak reference to the case study.</p> <p>The answer has only a poor/basic understanding of stakeholder theory.</p> <p>The answer as a poor/basic development of a stakeholder analysis.</p> <p>The answer identified less than 5 stakeholders</p> <p>The answer does not identify key stakeholders that will need to support the strategy.</p>
<b>Level 2 (Pass)</b>	6-7	<p>The answer has good reference to the case study.</p> <p>The answer has only a good understanding of stakeholder theory.</p> <p>The answer as a good development of a stakeholder analysis</p> <p>The answer identified more in the region of 7 stakeholders.</p> <p>The answer identify 3 key stakeholders that will need to support the strategy.</p>
<b>Level 3 (Merit / Distinction)</b>	8-12	<p>The answer has excellent reference to the case study.</p> <p>The answer has only an excellent understanding of stakeholder theory.</p> <p>The answer as an excellent development of a stakeholder analysis.</p> <p>The answer identified up to 10 stakeholders.</p> <p>The answer identifies key stakeholders that will need to support the strategy with an explanation.</p> <p>To gain a distinction:</p> <p>Identified that Michael may have conflict with roles as the vote holder for the larger stakeholder and as chair of the Community Trust, with an explanation of the nature of the conflict.</p>

Question number	Indicative content
<p>3 (b) 25 marks</p>	<p>This question is asking students to develop from the stakeholder analysis 3 scenarios of how stakeholders could react and the impact this may have on the strategy thought process based on the power and influence of the affected stakeholder.</p> <p><b>Answers could include the following content:</b></p> <p>Possible scenarios could be (there are many that they may selected and rewarded for logic and their explanation):</p> <p>Existing customers view the change as negative and a sign that their priorities have shifted, and that as a result SGL receives less work. This could extend into the supply chain who are more reluctant to commit to future work with SGL is they believe there is unrest. This would reduce the income of SGL that would affect their ability to commit to the new activity.</p> <p><u>Risks</u> The risk is medium (as it can be effectively mitigated) but high impact as if there is a sign of weakness it will adversely affect the attraction of new business and importantly of talent.</p> <p>SGL would be vulnerable if its core business was subject to reduced demand before they were ready. The goal to see a progressive phasing in of retrofit and therefore if the decline in the current core business is too rapid it would place pressure on SGL and the directors.</p> <p><u>Mitigation</u> Therefore, whatever strategy is approved by the Board must be effectively communicated. This is maybe difficult if the Directors are not united and talking the same message. Therefore, the communication of the strategy must be clear and if directors won't agree to it they may need to be replaced. The goal of the communication is to avoid all confusion.</p> <p>One way to do this may be to avoid confusion in the marketplace by separate out the two businesses – the core business continues as before, the new retrofit business acting as a subsidiary but knowing that the strategic intent is that overtime it will become the bigger of the two.</p> <p>Key to this effective communication with be Michael as the CEO and Martin as the Chair. They will need to talk openly and clearly to staff and key stakeholders. The change in direction can become a very positive story for the business given its clear goal is to build their commitment to their local area, improving homes and safe homeowners' money in a cost-of-living crisis.</p>

The SG Community Trust trustees may oppose the change as they believe it would threaten community projects. They have benefitted from Trust investment and through this have good links to the local press and politicians. Therefore, vocal opposition from them would affect perceptions of the new strategy.

#### Risk

This is a medium risk and high impact. It would be very easy for some of the benefitting causes to hear rumours and gossip that can grow. This can be picked up local media and social media and be severely misrepresented.

#### Mitigation

Given the nature of the change and the strong relationship SGL have within the local community as an employer and community benefactor the business strategy needs to be effectively communicated. This could be personal letters to key organisations and a 'town hall' meeting that communicates the 'next' phase of the development of SGL as a business committed to Middlesborough and the North of England.

The new business venture is dependent upon the ability to find people with suitable skills to scale up as fast as anticipated. The local colleges may not be able to achieve this and as a result targets are not met or quality falls, affecting reputation.

#### Risk

High risk, high impact. There have been several reports that highlight the skills gaps that exist in the energy conversation sector. The building industry is very busy and the mostly smaller contractors that are the focus of retrofit activity are increasingly difficult to find in a timely way. As a result, they are not focusing on the 3 years ahead but the next 3 months. This is not helped by the difficulty in sourcing materials and the increase in their price. This issue is partly a motivator for Michael as the small companies are not investing in the skills to build activity.

#### Mitigation

Therefore, it will be important to mitigate by proactively working with colleges. They could also fund degree apprenticeships in this area so that over 3-5 years they can develop a solid workforce. The salaries would have to remain competitive so that they don't lose staff to competitors as others move into this space.

In addition, they could commit resources to the development of a community training facility working with the local college so that the strategy is seen as a positive thing for the community.

Looking further ahead and acting in a strategic way it may be necessary for SGL to establish a manufacturing arm to meet some of the difficulties in sourcing materials and technologies. This is increasingly an issue in the UK that is evident in battery technology and semi-conductors. Therefore, having this facility locally would strengthen SGL's position as the market leader.

From this scenario, risk and mitigation assessment it is very clear that communication will be critical, and Michael and Martin will need to be proactive in preparing the ground with stakeholders, in particular staff and the local community and focus on the positive story for the region.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-6	<p>The answer has weak reference to the case study.</p> <p>There are limited or no scenarios developed from the stakeholder assessment.</p> <p>The scenarios but not linked to the stakeholder assessment in a)</p> <p>There is no risk assessment on the different scenarios.</p> <p>There are limited mitigations of risks.</p>
<b>Level 2 (Pass)</b>	7-8	<p>The answer has good reference to the case study.</p> <p>There are 3 scenarios developed from the stakeholder assessment.</p> <p>The scenarios have good linkage to the stakeholder assessment in a)</p> <p>There is a risk assessment on the different scenarios.</p> <p>There are mitigations of risks identified</p>
<b>Level 3 (Merit / Distinction)</b>	9-13	<p>The answer has excellent reference to the case study.</p> <p>There are 3 scenarios developed from the stakeholder assessment.</p> <p>The scenarios have excellent linkage to the stakeholder assessment in a)</p> <p>There is an excellent risk assessment on the different scenarios.</p> <p>There are good mitigations of risks.</p> <p>To gain a distinction:</p> <p>The candidate should identify the common strands in the mitigation of risk being the communication skills of Michael to proactively engage with stakeholders.</p>

## QUESTION 4

Michael has gained approval from SGL's Board to consider his proposed new strategy at a strategy awayday before the AGM. They have asked for a clear, detailed strategy and plan.

The Board has appointed you, as a consultant, to work with Michael to prepare a paper for the awayday on the how to develop a strategy that achieves the new direction but does not undermine the current business. This should use relevant strategic tools, and how to manage its organisational design and implementation.

(25 marks)

Question number	Indicative content
4 25 marks	<p>This question is essentially asking the student about strategy development and to propose the approach and tools that Michael could use to provide the detail needed by the Board to consider fully the strategy. This would not flesh out the strategy but detail the approach to developing a strategy and how to manage this while not adversely affecting the current core business.</p> <p><b>Answers could include the following content:</b></p> <p>An effective way to do this is follow the advice of Mintzberg. He used two models that are most relevant to SGL:</p> <p>The 5Ps of strategy</p> <p>Deliberate and emergent strategies.</p> <p>Looking firstly at Mintzberg 5Ps for the strategy and planning process, this would explore the:</p> <p>Plan – the Board needs to consider the plan for the business – Where it is now and where does it wished to be. This would highlight the achievements to date in in their current activity and what are the prospects for the future and its growth and building the bridge between the old and the new.</p> <p>Pattern – the Board needs to develop the pattern of SGL's strategy – This, given the proposals from Michael, will need to focus on continuing current activity and/or pursuing new opportunities in retrofit.</p> <p>Position – where does SGL fit in the sector of activities now and what could the position be in the retrofit market as that develops. This can highlight the opportunity to move from being a small company in a competitive market and to in the future developing a new dominant position in a new area.</p>

Perspective – Michael has done a high-level assessment and says there is a gap in a new market that he wants to fill. This needs to be verified by a more detailed assessment and setting this against what would be achieved in the current market and the changes that need to be undertaken to realise the opportunity in terms of skills and mode of operation.

Ploy – Michael has considered the market on the assumption that other competitors aren't looking at the same opportunity. He in effect wants to take a leading position quickly by marshalling resources that allows them to get 'big quickly' in a new market. This approach needs to be explored as against other actions that could be taken.

This approach provides SGL with what Mintzberg calls a 'Deliberate' strategy, with a starting point and a realisable goal and assessment of how to use the significant reserves to grow the business. This is what it intends to do based upon its analysis of the situation in the industry and relating this to opportunities in new areas.

However, SGL must take account of issues that come at it from left field as there are inherent risks and changes that need to happen to ensure that SGL can achieve their goals such as government policy, new technology emerging, the threat of new competitors etc.

Therefore, as a business, SGL needs to ensure that it can effectively respond to issues that come up. This is what Mintzberg called 'emergent strategy'. This will require SGL to allocate appropriate resources to tracking changes and having the ability to respond and change their strategy as necessary.

The indicative content above draws on Mintzberg's 5Ps and Deliberate/Emergent strategy. There are other strategy tools that could be used as well. Students could also use the following:

Spender:  
Goals  
Judgement  
People  
Flexibility

Equally, Maccoby:  
Foresight  
Visioning  
Partnering  
Motivating

Moving onto the implementation of the strategy SGL will need to consider the most appropriate structure to make the necessary shift without adversely affecting the current operations of the business, this is the new design of the business. To manage the risks that are involved SGL could explore several strategic options:

A joint venture, and so SGL would have to explore potential partners, this could be housing associations that own significant properties in the region.

Establishing a divisional structure so that the two business activities ran side-by-side and so that current SGL activity is not adversely affected and the new activity is set up at a different location given they have limited synergy from co-location.

SGL could operate in both markets – some harvesting its capability, one developing new capability – and alongside this work to seed new business as a focused incubator. This virtual structure would place SGL as a leader of change working proactively with a range of small-medium enterprises investing in their technology and skills development. This would provide increased flexibility and nimbleness as they tested the market. If it is successful, these partners could be integrated into SGL.

The pros and cons of the different options can be considered in the answer.

The key requirement of a distinction is the importance of linking up and combining the following elements:

Exploring the current position and prospects in their current market.

Exploring and validating an emerging retrofit opportunity.

Understanding the implications if they go down the retrofit market opportunity on current strategy and future business structure.

Deciding on the best structure to move SGL from A (current position) to B (desired position).

The need to accommodate change in the execution of strategy.

The risks that are being accepted with a change in strategy.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-12	<p>The answer has limited or no reference to the case study.</p> <p>There are no named strategy tools applied.</p> <p>There is no or limited reference to the organisational structure and design and implementation.</p>
<b>Level 2 (Pass)</b>	13-16	<p>The answer has good reference to the case study.</p> <p>There are clearly named strategy tools applied.</p> <p>There is good reference to the organisational structure and design and implementation and the challenges.</p>
<b>Level 3 (Merit / Distinction)</b>	17-25	<p>The answer has excellent reference to the case study.</p> <p>There are a range of strategy tools applied in detail.</p> <p>There is excellent reference to the organisational structure and design and implementation and the challenges.</p> <p>To gain a distinction:</p> <p>Candidates should develop a clear summary of the building blocks that SGL need to focus on to move the Board from tentative consideration to future support.</p>

## Section B

Questions 5 and 6 do not relate to the pre-released case study. Answer one question.

### Question 5

Young Bright and Cool Group (YBC) are a 10-year-old online clothing retailer based in Manchester, UK. They were established to target young, middle class and higher income fashion conscious 18-25-year-olds. Their aggressive marketing strategies have been very successful in gaining market share, now hitting 40% of their target market.

The growth and the increase in market share has resulted in having a strong bank balance in excess of £100M. The Board believe that they have reached the limits of their growth potential within the current market. Therefore, they have explored new acquisition targets in different market sectors. They are actively exploring two new categories:

- Children aged 1-10; and
- 25–40-year-olds with young families

CEO Michaela Paige says that their strategy consideration is simple: 'Our current customers are great, and we have met their needs, we now want to grow with them as they marry and have children.'

YBC have chosen not to go for organic growth but to make acquisitions in these two categories. They have reviewed suitable regionally based clothing retailers that while having a good reputation have failed to keep up with technology and marketing shifts. These changes over the last 3 years have placed many of these more risk adverse companies in a weak financial position, though having a solid brand. YBC's CEO sees this an opportunity to make a big impact with minimal change.

YBC have agreed to purchase 75-year-old brand, Scottish Blue, who currently operate in Scotland and target professionals. Alongside this buying the Bristol-based 50-year-old children's brand Clothing West who operated in South West England and South Wales. Both companies are respected but have no online presence and are traditional bricks and mortar retailers with weak balance sheets.

YBC's strategy will be to take both brands online and nationwide, building on the reputation and heritage. They will keep on the current staff with the aim to breathe new life into the companies through YBC's design team and creative marketing skills.

Following the decision to buy both companies you have been appointed Strategy Manager for Integration and your first task is to:

- Critically review the challenges that will be faced by the parent and the newly acquired brands using appropriate strategy tools.
- Recommend how YBC can measure the success of integration by proposing a suitable approach to integrate the businesses.

**(25 marks)**

Marking Scheme

Question number	Indicative content
<p>5 25 marks</p>	<p>This question is asking the students to explore how to achieve something that is greater than the sum of the parts. YBC is clearly a rising star, it has been very successful in capturing a market sector and achieved great success. The two businesses that are being taken over are established, risk averse and have not used modern marketing techniques. This will be disruptive to the systems and processes in Scottish Blue and Clothing West, this will create instability and therefore the key challenge is merging the three businesses and continuing the future growth. Equally it may slow down YBC and take its focus away from its current activity.</p> <p><b>Answers could include the following content:</b></p> <p>There are several approaches that students can take to this question. There is a significant degree of change coming though YBC are suggesting much will remain the same. The biggest change is likely to be in the culture and mindset of the acquired businesses. This change will affect all three companies given that YBC they are moving into different market sectors that they have limited knowledge. Similarly for Scottish Blue and Clothing West they have in effect been taken over due to their past risk aversion and will see significant change in their operations and marketing activities. Therefore, the management of this change will be key.</p> <p>The students could use any of the following models:</p> <p>Mintzberg (2008) – Change Cube  Beer et al (1990) – 6 steps to effective change  Kotter (1995) – 8 stages of change  Pettigrew and Whipp (1991) – 5 factors theory developing a change programme keeping a finger on the pulse.</p> <p>All of these will require clear communications strategies and not having the sense that the two smaller companies must ‘fit in’ with the YBC. This will lead to resistance of change. Therefore, Lewin is also relevant on force field.</p> <p>Students could also explore the issues around organisational structure and design. What form will the new company have? Will, in effect, YBC continue as before with their focus on 18-25, while they seek to inject into Scottish Blue and Clothing West the design and marketing skills, they have been so successful in YBC? In this way the three companies could operate as departments within a new parent company, or they could have a divisional or matrix style of operation. The key challenge will be managing the new entity as in the recent past one has grown strongly while the other two have lagged. There will be a danger of the new strategy causing instability in Scottish Blue and Clothing West.</p>

Another aspect that could be explored is the nature of the leadership style that will be needed. This will need to be transformational leadership. This would focus on (linking into the change models above):

Building a strategic vision between the 3 parts, treating them all equally as opposed to 2 being 'taken over'. This could be tied into the 5Ps from Mintzberg and the development of a single unified strategy as opposed to bolting on Scottish Blue and Clothing West to YBC.

The creation of a new identity of the integrated company serving different but linked markets.

Empowerment of respective teams to use the reserves of YBC to create faster growth in Scottish Blue and Clothing West.

Based on these options, the students make a clear and justified recommendation on how to manage integration.

A counter strategy to the integration is to maintain YBC as they are now and running a strong programme of change in Scottish Blue and Clothing West to modernise their approach but expanding their reach geographically and so delaying the integration for 3 years while the changes are being made within Scottish Blue and Clothing West.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-12	<p>The answer does not effectively draw issues out from the case study.</p> <p>The answer does not acknowledge or draw out the issues of integrating very different companies.</p> <p>There is no reference to the cultural issues that will exist between the companies.</p> <p>There are no or limited strategy tools used in the answer.</p> <p>There are no proposals on a suitable approach.</p>
<b>Level 2 (Pass)</b>	13-16	<p>The answer effectively draws issues out from the case study.</p> <p>The answer acknowledges the issues of integrating very different companies.</p> <p>The answer clear reference to the cultural issues that will exist between the companies.</p> <p>There are named strategy tools used in the answer.</p> <p>There are good proposals on a suitable approach.</p>
<b>Level 3 (Merit / Distinction)</b>	17-25	<p>The answer is excellent at drawing issues out from the case study.</p> <p>The answer is excellent in acknowledging the issues of integrating very different companies.</p> <p>There is excellent reference to the cultural issues that will exist between the companies.</p> <p>There are 2 or more strategy tools used in the answer.</p> <p>There are linked proposals on a suitable approach for YBC to adopt.</p> <p>To gain a distinction:</p> <p>Develop the counter recommendation that it would harm YBC as currently the cash cow to integrate with Scottish Blue and Clothing West and so this process should be deferred until after the management of change process has concluded.</p>

## QUESTION 6

African Sustainable Education Trust (ASET) is an international sustainability educational charity. ASET's constitution details that their purpose and mission is to:

- Promote, pilot and fund education on African sustainability issues, specifically food, climate change and water.
- To develop pathways for disadvantaged groups, especially women and young people to promote sustainability in their respective communities.

The guiding principle of their work is inclusivity. They are known as an innovative organisation that has achieved significant impact in the advancement of women. They have attracted significant press coverage for this work, including an upcoming fly-on-the-wall series that follows their work over a six-month period.

ASET has a Board of Trustees made up of Non-Governmental Organisations (NGOs), and representatives of the political and the corporate world. ASET are a membership organisation, their members vote at their Annual General Meeting (AGM) on all issues related to policy. The AGM is typically a non-controversial where the budget is approved, and new Trustees are elected for a period of 3 years. The 2023 AGM is in August.

To fund their work, the charity undertakes sponsored development work, as well as partnering with global NGOs, European and American government funding agencies and governmental bodies. Global funding programmes have declined in recent years and ASET has had to be scaled back and currently has plans to reduce their staffing. This has not gone down well with its members who typically make up 30% of ASET's revenue from membership fees and gifts left in wills.

AfriMin Inc (AMI) is a mineral and oil exploration company; they have been found guilty of significant environment damage through their exploration activities across Africa over the last 10 years. This has led to their global investors mandating the Corporate Board to donate a significant sum of £150M over three years to compensate for their actions and to rebuild trust.

There are no conditions attached to the funding. This represents about 10% of the profits made over the 10 years but is significantly less than the estimated harm caused of £250M in environment and social development losses. The Board of AMI has offered this funding to ASET. This has resulted in significant opposition from ASET's main stakeholders as well as concern from some charitable Aid Agencies. This year's AGM has caused a significant degree of activity on social media with a group of members looking to oppose taking the money from AMI.

As a strategy consultant to the Trust you have been asked to assess the strategic position of ASET today and the challenges it is facing in terms of its strategy given the ethical issues involved. This should use appropriate strategy evaluation tools to draw out the critical issues and make recommendations to the members at the AGM.

**(25 marks)**

Question number	Indicative content
6 25 marks	<p>This question is about the opportunities to use significant funding to further and develop ASET's work but with it comes an ethical dilemma. This question seeks to get students to weigh up these issues. They are under pressure on their finances due to global economic situation, which on the reverse side is increasing the demand for their services and there is a 'benefactor' that can address the issue.</p> <p><b>Answers could include the following content:</b></p> <p>A company with a compromised past is offering them money that can solve ASET's problems for the next 3 years. This is an opportunity but clearly also an ethical issue for ASET. The question is should they accept the money to achieve significant advances to their core purpose with the consequences this may have on their ethical position.</p> <p>This question is asking the student to assess the current position of ASET. They are:</p> <p>Losing revenue from sources that they have relied upon in the past.</p> <p>They have plans to make staff redundant.</p> <p>Programmes that they have worked on are being scaled back and so impact is being reduced.</p> <p>This could reduce the willingness of donors and members to contribute.</p> <p>Therefore, ASET need to consider its options.</p> <p>The offer from AMI provides an opportunity to move in a more positive direction as it provides the core funding they really need. Using this funding would allow them to change the conversation from the pressure they are under and develop a rational strategy for the future on their terms as there are no conditions on the use of the funding. They would be able, despite the source, to provide strategic leadership towards developing a future strategy.</p> <p>The offer from AMI would allow them to address these issues. However, ASET would have to consider its strategic management. They will need to consider issues of emergent strategy as they weren't expecting this offer. Can they make effective use of the money to further their goals, while managing the fall out.</p> <p>Therefore, there are several ways that the student can answer this:</p>

The funding would allow ASET to achieve their strategy, it could reverse the redundancies planned and ensure a stable funding route for 3 years. This would allow them to achieve several of their outcome targets.

Students could develop a SWOT assessment on the back of the offer focused on the solid reputation they have, the internal capability to achieve impact, the weaknesses being their financial position (if not taking the money) and the opportunities that come from taking the money.

The Board should explore the code of ethics that they have established as to the nature of the funding they will accept. As a membership organisation this will be important.

They can explore the risk consequences. The funding will allow them to achieve clear aspects of their strategy to provide support to communities. However, there are risks. This would explore the risk assessment. These could be:

Operational risk – Other funders may turn down applications because of the relationship with AMI.

Financial risk – Other bodies withdrawn their funding e.g. members, or govt because of the association with AMI.

Competition risk – Though weak in this situation other charities with similar objectives could use it to attract funding.

Environmental risk – No direct impact

People risk – Staff who object to AMI funding could choose to leave ASET and move to other organisations.

Reputation risk could also be explored in terms of the positive and negative aspects of the donation:

ASET can achieve advance of the causes and strategy building, allowing them to attract further support in the future.

Organisations that they work closely with may seek to distance themselves from ASET because of AMI

It may attract adverse publicity affecting future funding unless the donation from AMI is proactively managed.

There is then the wider ethical impact on ASET and its social responsibility. Some would see the money from AMI as 'blood money'. The offer as it stands is lower than the impact upon the communities adversely affected by AMI's activities. As a result, some would suggest if they were to accept the funding, they ask for more.

One way for the Trustees to resolve their dilemma is using the work of Chrysside and Kaler using the 5 dimensions of ethic:

Business is business – They have been offered funding and it meets the objectives of ASET.

Act within the law – Taking the money is lawful.

Good ethics means good business – This one will be open to debate.

Conventional morality – AMI have done things wrong but are seeking to make right their mistakes and so they should be encouraged.

Universal mortality – In business it is not always possible to be fully ethical but, in this situation, they are able to do good things with the funding.

It would be expected that students sought to use a range of the thinking above to make a recommendation. The nature of this recommendation is less important than the rationale used as it could be achieved either way. This could use as part of its assessment the evaluation of Suitability, Acceptability and Feasibility (SAFe).

Recommendations are:

Accept the money and focus on the programmes that would be enabled and the advance of economic outcomes for women in Africa.

Take a strong ethical stand and reject the donation while at the same time seeking out more favourable investors to donate instead of AMI.

Seek an increase in the funding or the period of donation to match the damage done by AMI.

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1 (Fail)</b>	1-12	<p>The linkage to the case study is weak.</p> <p>The answer has no or limited reference to the current position of ASET.</p> <p>The strategic, ethical and reputation issues involved in accepting the money are not explored.</p> <p>There are no recommendations made.</p>
<b>Level 2 (Pass)</b>	13-16	<p>The linkage to the case study is good.</p> <p>The answer has clear reference to the current position of ASET.</p> <p>The strategic, ethical and reputation issues involved in accepting the money are explore well.</p> <p>Good recommendations drawing from the assessment.</p>
<b>Level 3 (Merit / Distinction)</b>	17-25	<p>The linkage to the case study is excellent.</p> <p>The answer is very good reference to the current position of ASET.</p> <p>The strategic, ethical and reputation issues involved in accepting the money are drawn out in detail.</p> <p>There are excellent recommendations made and linked to the assessment well.</p> <p>To gain a distinction: In the recommendations there is a direction relationship between the achievement of the strategy and the ethical consideration.</p> <p>The SAFe model is using in making the recommendation. Risks of accepting.</p>

**TOTAL FOR SECTION B = 25 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**

*The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.*

**END**