

Exhibit: Introduction

This case study relates to three tasks.

Yexmarine is a company that builds cruising yachts and offers a boat repair and maintenance services in Neoland.

Yexmarine is seeking advice on a number of issues from Tranart Consultants. You work for Tranart Consultants, and you have been assigned to Yexmarine.

It is currently September 20X3.

The following **exhibits**, available on the left-hand side of the screen, provides information relevant to the case study:

1. Overview of investment projects: Summary of proposals for product developments.
2. Strategy committee & staff reaction: Memo from chief executive detailing his proposal to create a strategy committee and asking for analysis on how employee dissatisfaction could impact the organisational change process.
3. Risk mitigating activities: Suggestions from operations director for risk mitigations.
4. Board meeting on marketing approach: Extracts from a board meeting discussion about Yexmarine's future approach to marketing, including the use of e-marketing.

Pre-seen information, which you have already used to familiarise yourself with Yexmarine and the industry in which it operates, is also available on the left-hand side of the screen.

This information should be used to answer each **task** within your chosen **response option(s)**.

Exhibit 1 – Overview of investment projects

Yexmarine is considering expanding into new markets – sailing dinghies and luxury yachts. Both investments have been appraised by the finance director on the basis of a ten-year time horizon which was set by the board. The margins are based on the overall results for the ten years.

| | Sailing dinghies | Luxury yachts |
|---|--|---|
| Selling price | \$4,000, compared with the average sector price of \$5,000. | Yachts are priced individually, selling for at least \$400,000. |
| Gross profit margin | 35% | 62% |
| Operating profit margin | 12% | 28% |
| Payback | 3.5 years | 6 years |
| Net present value | \$5.5m | \$7m |
| Initial investment required including marketing costs | \$4m | \$10m |
| When first revenue is likely to be received | 1.5 years | 3 years |
| Target market | Neoland families. | Very wealthy individuals in Neoland and other countries. |
| Competition | A number of manufacturers in Neoland, all smaller than Yexmarine, some long-established. | Foreign manufacturers including some which are larger than Yexmarine. |

Exhibit 2 – Strategy committee & staff reaction

To: Consultant

From: Tony Bursham

Subject: Strategy committee and staff issues

Hi

I would like your assessment of my strategy committee proposal and analysis of the effect which negative staff reaction to the planned transformation could have on the change process.

Strategy committee proposal

The strategy committee will lead the development of strategic decision-making within Yexmarine. I think the membership of the strategy committee should be the chief executive, the technology director and the operations director. When we appoint a marketing director, they will join too.

The main roles of the strategy committee will be as follows:

- Carrying out long-term strategic planning in line with overall strategic objectives;
- Analysing, and reporting on, strategic threats and opportunities;
- Monitoring activities of competitors and establishing where competitive threats are likely to be most serious;
- Evaluating strategic options in detail, using ongoing environmental analysis, and selecting which strategic options should be undertaken;
- Presenting strategic options chosen for board approval.

I do not propose to define how frequently the committee should meet.

What are the benefits of, and problems with, my proposal? Is there anything that might be missing?

Staff reaction

As you know, I am planning to transform our business operations when we move to the new Lympool site. Employees have reacted negatively to these plans. They have commented:

‘The changes have already been decided. The board doesn’t want to know our views and will ignore all our concerns. We won’t be given any support, or any overtime pay. Staff who used to work for Bursham are likely to get all the senior roles. Those of us with specialised skills are starting to look for jobs elsewhere.’

Could this impact on the change process?

Regards,

Tony

Exhibit 3 – Risk mitigating activities

| Potential risk | Risk level | Risk mitigating activities |
|---|---|--|
| <ul style="list-style-type: none">• Flooding | <ul style="list-style-type: none">• Not serious | <ul style="list-style-type: none">• Insurance• Local flood defences• Watching for flood warnings |
| <ul style="list-style-type: none">• Product obsolescence (current and new products) | <ul style="list-style-type: none">• Serious | <ul style="list-style-type: none">• Comparisons with local competitors• Development of additional features |
| <ul style="list-style-type: none">• Data security | <ul style="list-style-type: none">• Serious | <ul style="list-style-type: none">• Anti-virus and firewall software• Backups• Password protection• Access barriers to non-staff |
| <ul style="list-style-type: none">• Reputation risk relating to products and services | <ul style="list-style-type: none">• Serious | <ul style="list-style-type: none">• Monitor public opinion about Yexmarine• Benchmarking against competitors• Quality management programme |

Exhibit 4 – Board meeting on marketing approach

| | |
|--------------------------|--|
| Chief executive | I am concerned that our products and our marketing approach are old-fashioned and we are lagging in third place behind our main competitors. |
| Chairman | We score higher than our competitors in the care we give to customers, our after-sales service and the repair work we do. We've been very successful over the years in treating our customers as part of a community with us at the centre. |
| Finance director | I can see the logic for developing online communities on social media. But we must remember that our customers are individuals as well. I do not think that the traditional marketing methods we've been using have been well-targeted. I believe that we've paid insufficient attention to using our marketing to develop and enhance relations with our individual customers. We've greatly increased the amount of data we hold about our customers over the last few years. Whilst we've made use of it to some extent, we need to do so in a much more organised and effective way. |
| Technology director | Whilst we plan to use more technology in production methods in the future, we seem to have no clear plans for doing so in our marketing approach. Failure to utilise social media will mean that over time our market share will shrink. |
| Human resources director | I would like to see much more done in our marketing to promote the skills and craftsmanship of our staff. We still rely on our staff's abilities and experience, for all our plans for automation and technology. Focusing on what they can do will help attract and reassure customers. Putting our staff at the forefront of our marketing messages will also boost staff morale as we know they are concerned about the transformation plans that were announced at the staff briefing and I have heard some are looking for new jobs elsewhere. |
| Chief executive | My main concern is that our marketing must effectively promote the products in which we are making major new investments over the next few years. As we know, we are still some way from recruiting a new marketing director. We need some guidance quickly on how our online marketing can address the issues. |

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| Task 1 |
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Yexmarine's board is considering two investment projects (a new range of sailing dinghies versus a new range of luxury yachts), which have been summarised by the finance director. Yexmarine will use the \$10m excess funds from the sale of its two Hameldon sites to finance any investment it makes. However, it will not have sufficient resources to choose both options.

The chief executive believes that a successful significant investment could have a large impact on the financial performance of Yexmarine over the next few years and is seeking your view on whether either of the proposed investments should be chosen.

Prepare a report to the board which:

- **Advises on the financial and non-financial benefits and drawbacks of each of the investment projects; and**
- **Recommends, with reasons, which, if any, should be chosen.**

(26 marks)

Professional skills marks are available for demonstrating *evaluation* skills by making justified recommendations which are based on a balanced assessment of both projects.

(4 marks)

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| Task 2 |
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Yexmarine's board is currently discussing seeking a listing on Neoland's stock exchange. The governance requirements which Yexmarine will have to fulfil if listed are in line with generally accepted governance best practice.

The chief executive is drafting plans to establish a number of board sub-committees, to meet these corporate governance best practice requirements. The first committee he wishes to establish is a strategy committee and he has set out his proposal for it. He wants your views on the benefits of, and problems with, his proposal. Consideration of the problems should include discussion of any omissions from the proposals.

(a) Write a letter to the chief executive which assesses his proposal to establish a strategy committee. (14 marks)

Professional skills marks are available for demonstrating *communication* skills in clarifying the benefits of, and problems with, the proposal to the chief executive.

(4 marks)

The chief executive plans to transform Yexmarine's business by introducing automation in production and improving product standardisation and efficiency when they move to the new site at Lympool. But employees have reacted negatively to the announcement of these changes.

You have been asked to analyse the impact that this negative reaction could have on the change process as this will be discussed at the next board meeting.

(b) Prepare briefing notes for the board which analyse how employee dissatisfaction may impact upon each stage of the organisational change process. (10 marks)

Professional skills marks are available for demonstrating *analysis* skills in considering the impact of employee dissatisfaction at Yexmarine on the change process.

(4 marks)

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| Task 3 |
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Yexmarine's chief executive wishes to obtain independent assurance that the company is taking sufficient steps to effectively manage significant risks. The chief executive has asked the operations director to recommend how four specific risks should be managed. The chief executive wants you to evaluate the information which the operations director has supplied.

(a) Prepare a report for the chief executive which:

- **Evaluates the adequacy of the risk mitigating activities for each risk; and**
- **Recommends any further mitigating activities which may be required.**

(16 marks)

Professional skills marks are available for demonstrating *scepticism* skills by questioning the adequacy of the risk mitigation activities that have been suggested by the operations director.

(4 marks)

In the current absence of a marketing director, Yexmarine's chief executive is looking at the ways in which Yexmarine can benefit from e-marketing, taking account of the issues discussed at the recent board meeting.

(b) Prepare briefing notes for the board which assess the benefits that using e-marketing methods can provide for Yexmarine.

(14 marks)

Professional marks are available for demonstrating *commercial acumen* skills by using judgement to link e-marketing methods to the issues which the directors have raised.

(4 marks)