Answer to Question One

Requirement (a)(i)

- Aybe ‘applies a traditional rational model (TRM) in carrying out its strategic planning process’.
- Aybe believes the value of ‘continuity’ to be very important.
- In the annual report of March 2010 it was stated that the overall aim of Aybe was to ‘Achieve growth and increase shareholder returns by continuing to produce and distribute high quality electronic components and develop our international presence, through expansion into new overseas markets’.
- Aybe has decided to ‘comprehensively review its overall strategic aim’ and is thinking about closing its Asian business and concentrating on the domestic market.

These statements are, to a degree, contradictory because Aybe believes ‘continuity’ to be very important, yet six months after it stated an overall aim of expansion into new overseas markets it is now considering withdrawing from these. Such an early revision to the overall aim suggests that the planning mechanism employed by Aybe is open to question. Additionally, Aybe has had to contend with some environmental factors: declining demand, protectionism and increased labour costs which have moved rapidly to Aybe’s disadvantage.

There is tension between these environmental factors and how Aybe can respond to them within the context of TRM, as the TRM is best suited to an environment where there is a high degree of stability and predictability. Aybe’s experience in Asia since IEC expanded there suggests that the Asian environment is unpredictable and that key factors are likely to change rapidly. This implies that the Asian business environment that Aybe has encountered is not one where the TRM is likely to be a suitable approach for constructing strategy.

Requirement (a)(ii)

A number of approaches to the formation of strategy have developed and three are described below:

**Emergent**: this approach, after Mintzberg, regards strategy not as a mechanistic process but as a living one. It does not advocate a ‘top-down’ procedure for the development of strategy unlike the Traditional Rational Model. Emergent strategy develops in response to environmental conditions and is highly adaptive. This could suit Aybe as it moves into an unfamiliar environment and contemplates withdrawal from Asia.

**Incrementalism or logical incrementalism**: this is another adaptive approach to strategy which involves making small changes to strategy in the light of changing conditions. It is a
conservative rather than a radical approach and can be characterised as ‘Evolution not Revolution’. This approach could be suitable for Aybe as an initial first move away from the constraints of strategic planning.

**Opportunism or freewheeling opportunism:** this approach is the opposite to that of TRM. Opportunism does not advocate the preparation of plans; instead it advocates taking advantage of opportunities as they arise. This approach mirrors that of the Director of Operations and could be suitable in an environment subject to considerable, frequent and unforeseeable changes. It has the disadvantage that an organisation which unthinkingly pursued opportunism could lack strategic coherence.

*Three approaches are discussed above for the sake of completeness but candidates were only required to discuss two.*

**Requirement (a)(iii)**

Aybe is considering withdrawing from the trading company which it has established with a local partner and no longer selling its products in Asia. Alternatively, it could close the trading company but still sell its products in Asia through another means of distribution, for example, through agents.

As regards the trading company, Aybe shares control of this as it only has 50% of the ownership. Therefore, Aybe cannot close the company without the agreement of the local entrepreneur who also owns 50% of the company. If the company ceases to trade, Aybe will be liable to pay the local entrepreneur C$500,000. Aybe will need to enter into negotiations with the local entrepreneur regarding the closure of the trading company. It may be that there is a purpose in the trading company continuing in existence in which case Aybe could offer to sell its shares in the trading company to the entrepreneur. This may be particularly appropriate if Aybe merely wants to withdraw from a direct presence in Asia but would still like to sell its products there.

Aybe will also need to consider if there will be any ill effects on its reputation if it withdraws partially or completely from Asia. It should also evaluate the effects that withdrawal will have on its various stakeholders.

**Requirement (b)(i)**

Strategic management accounting has been defined by CIMA as ‘a form of management accounting in which emphasis is placed upon information which relates to factors external to the entity, as well as non-financial information and internally generated information’. (CIMA Official Terminology). Strategy has been characterised as the means by which the organisation interfaces with its external environment so the requirement for an information system with an external focus is apparent.

Strategic Management Accounting could contribute to the success of current strategies by monitoring results. Examples of this would be tracking relative market shares and competitors’ costs. It is not sufficient to track Aybe’s sales in isolation. These could be increasing but are they increasing in line with the increase in the market? There is a need to compare Aybe’s results against those of its competitors: relative market share will do this. Similarly, it is not sufficient for Aybe to understand its own cost structure. If it wants to be competitive it must understand its competitors’ cost structures. Similarly, Strategic Management Accounting could contribute to the success of future strategies in forecasting relative market shares and forecasting competitors’ costs.

The important quality about Strategic Management Accounting in all circumstances is its external orientation; it looks outwards. This orientation means that an organisation using Strategic Management Accounting should avoid being introspective and should pay due attention to such factors as its markets, its customers and its competitors. This external orientation would be very beneficial for Aybe in respect of its impending decision about IEC’s business in Asia. Asia is a new market for Aybe so it is important that it treats it distinctly from the markets where it has more experience; Europe and the United States of America.

It would be wrong for Aybe to assume that doing business in Asia represents an extension of its current activities. Asia’s markets, customers and competitors should all be assessed on
their own characteristics and Strategic Management Accounting could usefully contribute to these assessments.

**Requirement (b)(ii)**

**Scenario planning**

Scenario planning has been described as the building of plausible views about how the business environment of an organisation might develop in the future and is based on sets of key drivers for change about which there is a high level of uncertainty. The construction of the scenarios will involve a multi-disciplinary team and external consultants can also be used.

Schoemaker (1997) describes a four step approach for using scenarios:

- Develop scenarios to examine the external environment and identify key trends and uncertainties.
- Conduct industry analysis and strategic formulation against each scenario to develop strategies that enable the organisation to fit with each scenario.
- Identify the core capabilities of the business and strengthen these to withstand or benefit from each of the scenarios.
- Adopt the appropriate strategic option as the future unfolds and the key uncertainties resolve themselves.

Aybe is considering a decision about the future of its expansion strategy in Asia and has already found that some key environmental factors have changed. This suggests that making plans on the basis of a single forecast is likely to be misleading. If Aybe was to use scenario planning it would force it to identify what it considered to be the key drivers for change which could include, for example, the duration of the world recession and the growth in gross domestic product in Asian countries. Drawing upon the expertise of its multi-disciplinary team, Aybe would construct 'plausible views' or scenarios about how the environment will develop and it could apply Schoemaker’s model as above.

Alternatively, particularly if Aybe has constructed a number of plausible views, it has a number of different actions it could take. Aybe could:

1. Invest to a limited extent in each of the scenarios and increase its investment when the 'correct' scenario emerges.
2. Aybe could wait and see what happens but prepare for a quick response when there is more clarity about the future.
3. Avoid long-term investments based on future events but concentrate on developing core competences to help it succeed in any environment.
4. Aybe could concentrate on its current business and hope the future does not happen.

**Summary**

Scenario planning would help Aybe make its decision about the future of its Asian business by:

- Using a multi-disciplinary team and outside consultants if necessary.
- Forcing Aybe to identify the key drivers for change for its Asian business.
- Constructing a number of plausible views/scenarios which suggest how the business environment of Aybe would appear in the future.
- Giving Aybe a number of options to adopt in respect of the different scenarios which it has constructed.
**Requirement (c)**

The Director of Operations has provided the following forecast:

**Forecast Asian business 2011**

<table>
<thead>
<tr>
<th>Product group</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average selling price per unit</td>
<td>C$ 350</td>
<td>C$ 6,200</td>
<td>C$ 85</td>
<td></td>
</tr>
<tr>
<td>Average variable cost per unit</td>
<td>200</td>
<td>2,500</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Sales volume in units per year</td>
<td>2,800</td>
<td>100</td>
<td>58,000</td>
<td></td>
</tr>
</tbody>
</table>

This forecast can be resolved into the following profit forecast for the Asian business 2011:

<table>
<thead>
<tr>
<th>Product group</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Total</th>
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<td>Variable cost per unit</td>
<td>200</td>
<td>2,500</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Unit contribution margin</td>
<td>150</td>
<td>3,700</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Sales volume per year</td>
<td>2,800</td>
<td>100</td>
<td>58,000</td>
<td></td>
</tr>
</tbody>
</table>

**Aggregate contribution margin** 420,000 370,000 1,450,000 2,240,000

Fixed costs per year 1,000,000

Profit per year 1,240,000

The forecast profit, based on the information supplied by the Director of Operations, is C$1,240,000 which falls short of the Director of Operations estimate that IEC’s Asian business will achieve at a minimum, C$2,000,000 profit in 2011. A reasonable inference is that the Director of Operations did not account for the fixed costs of C$1,000,000 per year. This may have been due to the pressure he was under. As the trading company carrying out this business is jointly owned with a local partner, it is reasonable to assume that not all of the profit would be Aybe’s.

The forecast profit may require further qualification as Aybe is faced with a forecast ‘of declining demand’ so the levels forecast for the three product groups may not be attainable. However, it could be that the Director of Operations has reflected the decline in demand in his forecast. This point requires clarification.

Another possible qualification concerns the forecast inflation in direct labour costs. Clarification would be needed from the Director of Operations as to whether or not this inflation is reflected in his forecast. It is the case that the forecast profit of C$1,240,000 may represent the best case but this could be over-optimistic.

**Conclusion**

The Director of Operations’ estimate that the Asian business will achieve, at a minimum, C$2,000,000 profit in 2011 significantly overstates the likely profit.

**Requirement (d)**

CIMA’s Code of Ethics gives examples of a number of categories of Threats. Aybe’s management accountant has been told by the Director of Operations:

- ‘... he should help management not obstruct it’. This is a reasonable expectation.
- ‘the Management Accountant should do as he is told when instructed by a Director of the Board.’ This is true within reasonable boundaries.
- The Management Accountant has asked for time to ‘do his job’ and to be allowed to present his opinion to the Board. The Director of Operations said that if the Management Accountant ‘wanted to keep working in Aybe plc he should give the Director his support and not quibble about technicalities.’

The Director of Operations added ‘The last time I had a fall-out with a Management Accountant she was asked to leave Aybe: I hope you won’t fall into the same trap’.

With this last comment, the Director of Operations has moved into an area defined by CIMA as ‘Intimidation’.
Intimidation threats. These ‘may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived’.

The Code gives many examples of internal safeguards: that is, ones within the work environment.

For completeness, all of these are given although candidates were only required to give two internal safeguards.

All of the following examples are given equal weight in the marking process.

- The employing organisation’s system of corporate oversight or other oversight structures.
- The employing organisation’s ethics and conduct programmes.
- Recruitment procedures in the employing organisation emphasising the importance of employing high calibre competent staff.
- Strong internal controls.
- Appropriate disciplinary processes.
- Leadership that stresses the importance of ethical behaviours.
- Policies and procedures to implement and monitor the quality of employee performance.
- Timely communication of the employing organisation’s policies and procedures.
- Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organisation any ethical issues that concern them without fear of retribution.
- Consultation with another appropriate professional accountant.

The Code points out that its list of Safeguards is not necessarily exhaustive.

The Code gives many examples of external safeguards.

For completeness, all of these are given although candidates were only required to give two external safeguards.

Examples of external safeguards given in the Code include:

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements
- Corporate governance regulations.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.

All of the above examples are given equal weighting in the marking process.
Answer to Question Two

**Requirement (a)**

MNI has been subjected to eight different criticisms. These can be categorised as:

**Operational**
- It could not accurately produce a head-count of the number of students on roll.
- The internal control of cash receipts was defective and in several areas there had been discrepancies.

**Management**
- Its expenditure exceeded its income.
- Student drop-out and failure rates were greatly in excess of the national average.
- The level of student complaints was very high and increasing.
- It had a large amount of debtors, mainly ex-students, and was not doing anything to collect outstanding amounts.
- It had an abnormally high level of staff turnover.

**Strategic**
- The audit of the quality of education provided by MNI awarded MNI the lowest rating of 'Poor'.

*Teaching note: These categories are indicative rather than definitive as some criticisms could fit more than one category, for example, a high level of staff turnover can be viewed as both an Operational and a Management criticism. Candidates were not expected to rigidly adhere to these categories; other sensible categories gained marks.*

The Vice-Chancellor has been instructed to prepare a new strategic plan for the period 2011-2016. The new strategic plan has to address the eight criticisms and it is reasonable to assume that the Vice-Chancellor wishes to eradicate the eight criticisms. The role of the control measures will be to monitor performance in these eight areas and provide feedback and feed-forward information to enable managers to take appropriate action.

In general, the control measures should be designed to align performance with the strategic goals, values and vision articulated within the new strategic plan. The control measures are likely to take the form of Critical Success Factors (CSFs) which could be supported by Key Performance Indicators (KPIs). The reporting of performance against these control measures should be incorporated within the periodic management control reporting and could also be reported within a Balanced Scorecard framework.

**Requirement (b)**

*Teaching note: For completeness, all the eight criticisms are dealt with. In some cases, more than one measure is proposed. Candidates were given credit for good answers even if their suggestion did not appear below.*

**Operational**

The operational areas which were criticised are most amenable to direct action and should be the quickest to rectify. These represent areas of the university's work which is going wrong on a daily basis and so immediate action is required.

**Inaccurate head-count of the number of students on roll.**

If the university does not know how many students it has, this will have adverse implications for many aspects of the university's work ranging from time-tableing to funding.

**Control action:** the university should issue an identity card for each student and each student should be registered on a central database which is continually up-dated. If students are not
in possession of a valid identity card they would be prevented from using university services, such as the library or the computer network.

*Internal control of cash receipts was defective and in several areas there had been discrepancies.*

The university will have a large number of cash transactions every day, for example in its restaurants, libraries and sports centres. If cash control is inadequate there is a danger of theft.

**Control action**: as far as possible restrict the use of cash for university transactions. Limit the amount of cash balances held within the university. Insist all cash over a sensible working balance is banked daily or more frequently if necessary. Separate duties, wherever possible, of staff handling cash and those responsible for accounting for cash.

**Management**
Management problems are more complex and not as amenable to quick solutions as are the operational ones.

*MNI’s expenditure exceeded its income.*
This is not sustainable in the long-run because there is a danger that the university could become insolvent. Although the actions taken to address the operational criticisms will help, they will not be sufficient to align the university’s income and expenditure. Other actions, which will take longer to implement, are required.

**Control action**: review all areas of expenditure, institute a cost reduction programme, consider increasing prices wherever possible and reduce investment in working capital.

*Student drop-out and failure rates were greatly in excess of the national average.*
Student drop-outs and inflated failure rates indicate dissatisfaction with the university which will damage the university’s reputation. They also point to inefficiencies in the teaching and learning process and will damage the university’s cash flow.

**Control action**: conduct exit interviews with students who are leaving the university, review recruitment procedures and requirements, institute an academic audit of university programmes.

*MNI’s level of student complaints was very high and increasing.*
Similarly, to the student drop-out and failure rates, this indicates dissatisfaction with the university’s processes.

**Control action**: review the complaints procedures and address any systematic cause of complaints, for example, examination regulations. Survey the current students to identify areas of potential complaint.

*MNI had a large amount of debtors, mainly ex-students, and was not doing anything to collect outstanding amounts.*
This criticism may be related to the university not accurately knowing how many students it has on roll. Once a student has left the university it will become more difficult to collect outstanding amounts. These debtors represent a loss to the university’s cash-flow.

**Control actions**: establish a target level of debtors and institute actions to reduce the outstanding level of debtors.

*MNI had an abnormally high level of staff turnover.*
Staff are a vital part of every organisation because they deliver the strategy. An abnormally high level of staff turnover indicates problems within the organisation. Staff turnover creates expense for the university and whilst it is normal for some staff to leave the university the abnormally high level will create an abnormally high expense and may impact on MNI’s level of quality.

**Control action**: conduct exit interviews with all staff that leave the university. Survey the existing staff and rectify any general causes of dissatisfaction.
Strategic
At this level, the criticisms represent the most complex problems faced by the university. They cannot be resolved by single actions but will require holistic solutions.

MNI had received the lowest possible rating for the quality of its education: ‘Poor’. This rating represents a public criticism of the university which is likely to affect its reputation. Externally, this could result in worsening recruitment of students. Internally, this implies that the university’s current students are receiving a sub-standard education. If this rating is not improved the university’s new strategic plan will be undermined.

Control action: establish a department responsible for quality. Codify existing quality procedures and produce new ones as necessary. Carry out periodic internal quality audits. Allocate investment in the new strategic plan to address areas of quality weakness. Make quality targets a part of all members of staff’s performance management objectives.

Requirement (c)
The university's information systems could support the successful implementation of the new strategic plan at a number of levels. Robert Anthony produced a hierarchy of control which was founded on a base of transactions processing. Above this was the level of operational control, above that management control and, at the highest level, strategic planning. This model has obvious applicability to MNI and each level identified by Anthony will require support from university information systems.

Strategic
The new strategic plan should identify Critical Success Factors which are those aspects of the university’s operations that the plan has identified as being vital for its success: an example of a CSF would be that the university should operate at a surplus. It was criticised for being in deficit: its expenditure exceeding its income. This CSF could be monitored by means of a Key Performance Indicator, which in this case would be the university's operating position which could be reported upon monthly. The monthly reporting would entail use of an information system.

Teaching note: Additionally, information systems have, in themselves, been identified as an important strategic variable. This is for a number of reasons, the first being that information systems, together with their associated hardware infrastructure, are likely to be a significant proportion of the university's operating and capital costs. The information systems can also be an important competitive variable in that they can affect the way in which the university carries out its business: an example of this would be the university replacing lectures by webcasts. Thus, the information systems and the new opportunities they offer could be a source of competitive advantage. For these reasons the new strategic plan should incorporate within it an information strategy.

Management
The university’s information systems should support the management of MNI by providing reporting and monitoring functions to demonstrate performance against the targets and KPIs identified in the new strategic plan. An example of this would be periodic reporting of the university's income and expenditure. Student drop-out and failure rates could also be reported periodically to managers with responsibility for these areas. The university would also need to know periodically the number of its debtors to check that its corrective actions were succeeding.

Operational
The university’s information systems should provide real-time information about key operational performance. It is important that the university should accurately know, at any time, how many students it has on roll and it should continually and accurately be able to account for its cash. This implies a need for immediate data capture which would be facilitated by devices such as the student identity card.
Answer to Question Three

Requirement (a)(i)

WRL’s stakeholders may be categorised as follows:

Internal:
Board of WRL
Employees working in Eastern mine

Connected
Shareholders in general
Minority of shareholders interested in decision

External
Eastern state government
Stravia national government

Using Mendelow’s stakeholder mapping approach:

Level of interest low: Level of power low
Shareholders in general
This is just one decision made by a multi-national company. Many shareholders would probably not even be aware of the decision and so their interest will be low. Shareholders acting together have great power but they rarely act together and so have been categorised as having low power for this decision.

Level of interest low: Level of power high
None

Level of interest high: Level of power low
Employees working in Eastern mine
The employees are dependent and there may not be alternative employment available for them so their interest in the decision is high. However, a group of indigenous people living in a remote part of a small country are likely only to have low power in respect of this decision.

Minority of shareholders interested in decision
These stakeholders have a high level of interest in the decision but little power to affect it as they are small in numbers.

Eastern state government
The state government has a high level of interest which is why it opposed WRL in the courts. However, it has been over-ruled by the National Supreme Court and so its power has been revealed as being low.

Level of interest high: Level of power high
Board of WRL
The board has a high level of interest in this decision because it is crucial for the continuance of its mining operations in Stravia. It is its decision whether or not to put its polluted water in the lake so its power is high.

Stravia national government
The national government has a high level of interest in this decision as it wishes to develop the economy and it has received $50 million of royalty payments. These would cease if the mine closes. As it granted the licence to mine and could oppose WRL’s continued operations in its country its power is high.

Requirement (a)(ii)

In the answer above, stakeholders were identified using Mendelow’s classifications; the following advice is based on Mendelow’s prescriptions:

Level of interest low: Level of power low
Shareholders in general
Proposal: Minimal effort
Level of interest high: Level of power low

*Employees working in Eastern mine*

*Minority of shareholders interested in decision*

*Eastern state government*

Proposal: keep informed

Level of interest high: Level of power high

*Board of WRL*

*Stravia national government*

Proposal: because of its high levels of power and interest WRL must ensure that any strategy it pursues is acceptable to these ‘Key Players’.

Other approaches which have been suggested to resolve stakeholders’ competing objectives include:

*Prioritisation:* the Board could specify that any decision must, as a minimum, satisfy one or more specific objectives before it can be considered. In this case, this could mean that, at a minimum, the mining in Stravia must be profitable: once this criterion is satisfied then WRL could seek to achieve profitability in a socially responsible way.

*Weighting and scoring:* each stakeholder view is given a weight which reflects its relative importance to WRL with higher weights meaning higher importance. Each option is scored according to how well it achieves corporate objectives. A weighted score is calculated for each objective and the strategic option with the highest score is pursued.

Additionally, Cyert and March (1963) have proposed some other approaches:

*Satisficing:* the decision would be made to keep all, or at least the most powerful, stakeholders happy.

*Sequential attention:* stakeholders are kept happy by taking turns to have their objectives realised.

*Side payments:* where a particular stakeholder’s objective cannot be addressed, they are compensated in another way.

*Exercise of power:* if management is deadlocked because of competing stakeholder objectives, this could be resolved by one or more powerful figures using their power to force through their preferred option.

**Requirement (b)**

WRL’s mission statement declares that: ‘WRL exists to make the maximum possible profit for its shareholders whilst causing the least damage to the environment. WRL will, at all times, be a good corporate citizen’. If there is a conflict, this is because there are arguments both in favour and against putting the polluted water in the lake. These are summarised below:

**Arguments in favour of putting the polluted water into the lake.**

- WRL’s mine in Stravia has been operating at a profit. This is consistent with the mission statement and is to the benefit of the majority of its shareholders.
- WRL has employed local people, generated a substantial amount of foreign exchange for the national government of Stravia and has assisted in the development of the economy. WRL has been a good corporate citizen.
- The cheapest way of disposing of the polluted water is to dispose of it in the lake. If WRL does not put its polluted water in the lake, the mine would become uneconomic and would have to close to the detriment of some of its stakeholders.
- The National Supreme Court has upheld WRL’s right to dispose of its polluted water in the lake. Therefore, WRL would be acting lawfully according to its licence in putting its polluted water in the lake.
Arguments against putting the polluted water into the lake.

- A minority of WRL’s shareholders are opposed to the plan, so if WRL goes ahead it will not be acting in these shareholders’ interests.
- If WRL puts its polluted water in the lake it will kill all the Aquatic life. This is not the behaviour of a good corporate citizen.
- The decision about the disposal of the polluted water was disputed by Eastern, the state government. If WRL proceeds with its plan, it will be against the wishes of the state government.

Conclusion

When the arguments for the disposal of the polluted water are taken into account WRL can be viewed as acting in accordance with its mission statement. However, when the arguments against the plan are considered, WRL can be judged to be acting contrary to its mission statement. There is no clear conclusion as to whether or not WRL will be acting in accordance with its mission statement if it puts its polluted water in the lake. It can also be reasonably asserted that if the polluted water is not put in the lake it will also be uncertain whether or not the mission statement is being complied with.
Answer to Question Four

Requirement (a)(i)

A number of reasons for people resisting change have been identified by researchers. One source of resistance could be that JALL did not properly prepare for the change in ownership. If the staff of JALL do not understand the reasons for the change in ownership and these have not been explained to them it is likely that they will resist the change. The idea of resistance to change is central to the approach of Lewin to change management and his idea of ‘Forcefield Analysis’.

Senior identified the following main sources of individual resistance:

Fear of the unknown
There has not been a definitive announcement about the change of ownership of JALL nor the reasons for it. Some of JALL’s stakeholders, its staff, customers and suppliers may suffer from fear of the unknown which could lead them to resist the change. In the case of the suppliers and customers this could lead them to take their business elsewhere.

Dislike of uncertainty
To the extent that JALL’s stakeholders dislike uncertainty; they are likely to resist the change.

Potential loss of power
The staff are most likely to be faced with a loss of power in that they may lose their jobs as a result of the changes. The suppliers and customers have more autonomy as there are other retailers of office products.

Potential loss of rewards
For the staff, this factor is similar to the potential loss of power.

Potential lack of or loss of skills.
This is most likely to affect the staff and the suppliers. If the new owners of JALL intend to carry out the business differently to how JALL did business in the past, this may require new skills. For example, under its new owners, JALL may carry out its business using the Internet and this would require IT skills from both JALL’s staff and suppliers which they may not possess. This could inspire resistance to the change from both the staff and suppliers: in the case of the suppliers they may choose not to do business with JALL in the future.

An alternative grouping suggests that the main reasons for people resisting change are:

An incomplete understanding of the nature of the change and/or the reasons for it:
JALL’s staff have not been informed about the reasons for the change.

Individuals believing that the results of the change could threaten their own personal interests and ambitions:
JALL’s staff do not know if their jobs are safe.

Differing assessments of the costs and benefits of the change to the organisation:
It is difficult for JALL’s stakeholders, its staff, customers and suppliers, to make any assessment about the costs and benefits of the change as they lack information about it.

Lack of trust in those initiating the change and their motives:
It is not clear who has initiated the change so it would be difficult for the stakeholders to invest trust.

Requirement (a)(ii)

The notion of resistance to change is embedded within Lewin’s Forcefield analysis. Within this context, resistance could be overcome by strengthening the driving forces, such as increasing management pressure or by weakening the forces that restrict output, such as adopting a more humane style of management. It would also be feasible to pursue both strategies simultaneously.
Kotter and Schlesinger (1979) identified the following ways to reduce resistance to change which occupy a continuum ranging from the persuasive to the highly authoritarian:

- **Education and communication**
  If the resistance has been caused by a lack of understanding of the reasons for the changes, JALL could communicate the reasons for the change of ownership to its stakeholders.

- **Participation and involvement**
  This approach could gain the co-operation of staff involved in the change. However, not everyone wants to be participative. JALL could offer its stakeholders the opportunity to influence the change, for example, its staff could suggest a timetable for integrating JALL into the national chain.

- **Facilitation and support**
  JALL could offer training and counselling to support its staff in their new roles. JALL could also prepare staff for their life outside the organisation if they are to be made redundant, by providing help with CV preparation, job searching and tax advice if redundancy pay is to be offered.

- **Negotiation and agreement**
  This is an alternative to imposing change upon a workforce. If JALL’s workforce is given the opportunity to express its concerns and this is met by a genuine response to resolve these by management, it is likely that resistance will be reduced. JALL could assist this process on an ‘ad hoc’ basis. Alternatively, JALL could use the services of a third party, for example, a trade union or a mediator to help it manage the process.

- **Manipulation and ‘co-optation’**
  This is an ethically questionable approach as resistance is reduced by means such as presenting misleading or incomplete information. It is likely that such an approach would infringe CIMA’s Code of Ethics and, therefore, could not be recommended. Some of the people resisting the change could be persuaded to support it by being offered inducements such as promotion.

- **Explicit and implicit coercion**
  This last approach is the most brutal as it involves actual or implied threats: for example, the management might threaten to close part of its business and to sack employees if the proposed changes are resisted. Many enlightened managers would not employ this approach or only use it as a last resort

**Requirement (b)(i)**

The new management of JALL also has to ensure its continued success within the national chain. As success for any organisation is a multi-dimensional concept, JALL’s performance needs to be measured by a multi-dimensional model and the Balanced Scorecard enables this.

Central to the Balanced Scorecard is the organisation’s vision and strategy and this would probably be formulated for JALL by its new owners. Allied to the vision and strategy are four perspectives designed to support the organisation’s vision and strategy. The perspectives are:

- Financial
- Customer
- Learning and growth
- Internal business

All of the four perspectives could include both qualitative and quantitative measures which could be reported upon periodically. The measures chosen for the reporting would be those most crucial for the delivery of JALL’s vision and strategy. These should be reviewed regularly and other ones substituted if they have more relevance.

The Balanced Scorecard would, therefore, become a part of JALL’s normal periodic reporting system. A summative integrated report reflecting the performance of JALL regarding all four
of the Balanced Scorecard’s perspectives could be prepared and this would give senior management the opportunity of tracking the achievement of JALL against the overall vision and strategy.

More detailed reports on each of the four perspectives should be prepared for operational managers so they would be made aware of the degree to which the area for which they are responsible is contributing to overall success.

Requirement (b)(ii)

Within the Balanced Scorecard a variety of control measures can be identified. If JALL is operating a participative management culture, these measures and targets would be the result of discussion and negotiation with those staff that are being held responsible for JALL’s performance. If the culture is ‘top-down’ (autocratic) the measures and targets would be imposed upon those who are held responsible for their achievement.

Whatever the process by which the targets have been established, these could then be integrated into a reward system for staff. This could be done by means of performance related pay. A manager could agree (in a participative organisation) or be told (in an autocratic one) targets or objectives for a future period. If the manager achieves these objectives he/she would be rewarded. Usually this would be with extra pay but the reward can take other forms: for example, promotion and fringe benefits.

Similarly, staff could be given (autocratic) or agree (participative) targets for the future which, if met, would help JALL achieve its vision and strategy. Performance against these targets could be rewarded in a way similar to those for the managers.

The important link with the Balanced Scorecard is that the manager’s objectives should reflect the control measures that have been identified within the Balanced Scorecard to help achieve the organisation’s vision and strategy. An example of how an individual manager and her/his performance related pay is integrated with the Balanced Scorecard is shown below:

Vision and Strategy: To be the region’s leading retailer of office products

Customer perspective: Capture new markets

Marketing manager: Personal objective
Carry out market research to identify new market segments capable of delivering €300,000 additional sales per year.

Adapted from CIMA Learning System, 2009, page 447