Answer to Question One

Requirement (a)(i)

There are a number of different ways in which a Board of Directors could deal with the conflicting objectives of its different stakeholders. These are:

**Prioritisation**: The Board could specify that any decision must, as a minimum, satisfy one or more specific objectives before it can be considered. This could be ‘we offer our customers a range of services that are of the highest quality’. If this criterion is met first then other objectives could be pursued.

**Weighting and scoring**: If this approach is followed then each stakeholder view would be given a weight which reflects its relative importance to the company 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.

In 1963 two writers Cyert and March proposed some alternative 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 (a)(ii)

DEF’s current mission statement was formulated by its Board of Directors in 2008. No information is available as to whether or not any other stakeholders were consulted during this process. The mission statement states ‘At DEF Airport we aim to outperform all other regional airports in Europe by ensuring that we offer our customers a range of services that are of the highest quality, provided by the best people and conform to the highest ethical standards. We aim to be a good corporate citizen in everything we do’.
The mission statement contains a strong customer focus. It also emphasises ethics and the desire to be a good corporate citizen. These orientations reflect the characteristics of the airport’s owners, that is, the four local state governments (LSGs) a representative of whom is the non-executive chairman of the Board. The mission statement does not explicitly state any objectives concerning those aspects which are associated with profit-seeking companies: profit, return on capital, capital growth and dividends.

IVB is an investment bank which has described itself as ‘the business turnaround experts’. It has placed emphasis, in the past, on severe cost-cutting so that it can sell businesses in which it has invested at a profit. This has led to large-scale job losses in those businesses.

If IVB buys one LSG’s shareholding in DEF Airport and is given a seat on the Board it may challenge the mission statement. This is likely because the aspirations contained within the mission statement are very different to the ones pursued by IVB. IVB may claim that the mission statement is out of date as it was formulated before it became a shareholder.

However, IVB will only hold 25% of the shares and cannot force its views on the remainder of the Board which may be unwilling to change the mission statement. It is possible that the remaining LSGs may wish to sell their shareholdings in the future. If so, IVB may also wish to acquire these. This consideration may influence the remaining LSG’s attitude towards changing the mission statement.

It is quite likely that the admission of IVB to the Board will lead to some conflict between IVB and the three remaining LSGs regarding the future objectives of the Airport. This situation is not uncommon.

Requirement (b)(i)

<table>
<thead>
<tr>
<th>WLS</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth %: 2007 = 100</td>
<td>100</td>
<td>115</td>
<td>138</td>
<td>173</td>
</tr>
<tr>
<td>Revenue growth %: Year on year</td>
<td>-----</td>
<td>15</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Profit margin %</td>
<td>22</td>
<td>24</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>Profit growth %: year on year</td>
<td>26</td>
<td>35</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Cash % of profit</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Receivables as % of revenue</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total debt and equity</td>
<td>508</td>
<td>1,303</td>
<td>2,377</td>
<td>3,869</td>
</tr>
<tr>
<td>Gearing %</td>
<td>39</td>
<td>15</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Return on equity%</td>
<td>205</td>
<td>72</td>
<td>49</td>
<td>41</td>
</tr>
<tr>
<td>Receivable days</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>P/E ratio</td>
<td></td>
<td></td>
<td></td>
<td>2.68</td>
</tr>
</tbody>
</table>

Evaluation

WLS’s performance in the period 2007-2010 is characterised by:

- Strong growth in revenue both in absolute and year on year terms.
- An increasing profit margin. This factor allied with the growth in revenue implies that WLS has not been cutting its prices to gain sales volume.
- WLS has generated positive cash inflows in each of the years in the period. It has almost doubled the percentage of cash to profit which has been achieved in a period of considerable revenue expansion. This suggests diligent management of its cash resources.
- Receivables have been kept at a constant percentage of revenue during the period. This combined with the cash position indicates tight management of working capital although no information has been given about creditors.
• Gearing: This would be affected if the nominal or face value differs from the market value. Over the period, debt has remained constant which suggests that WLS has been financed, in part, by a medium or long term loan of D$200,000. As this has remained constant, probably no repayments of capital have been made; gearing has reduced significantly from 39% to 5%. There is no indication when this loan is due for repayment: it could be in the next financial year. However, the financial data that has been given for WLS suggests that it should have no difficulty either repaying or refinancing this loan.

• Equity: this has increased each year by the amount available for distribution (Profit after interest, finance costs and tax). This implies that WLS has not made any distributions: that is, it has not paid a dividend during the period. This may be due to the three owners’ individual tax statuses and/or the need to finance WLS in a period of expansion.

• The asking price for WLS, D$4,000,000 represents a Price/Earnings ratio of 2.7 (4,000,000/1,492,000) which seems low although no industry comparison P/E ratio is available. The general state of WLS’s financial performance suggests that this is a cheap asking price.

**Conclusion**
On the basis of the financial data for the period 2007-2010, WLS has performed very well. This would make it, in financial terms, a suitable acquisition for DEF. However, if a complete set of financial statements were analysed it could be that they would reveal adverse factors regarding WLS.

In addition to the favourable financial evaluation discussed above, there are a number of other positive aspects offered by WLS. DEF has as two of its strategic objectives, ‘ensure that the airport is financially secure’ and ‘Maintain/increase employment opportunities for people living close to the airport’. WLS is a profit-making company in comparison to DEF which is currently making a loss, so will contribute to the first of these objectives. Further, WLS is an established force in the cargo handling business and has ‘best of industry’ information systems. Therefore, if WLS is acquired by DEF, there will be opportunities to transfer some of the competences and capabilities which it possesses to the advantage of DEF. This should contribute to the employment opportunities at DEF. The mission statement aims to ‘offer our customers a range of services that are of the highest quality’ and WLS could contribute to this aspiration. Thus, from the points of view of its financial performance, and its contribution towards the Airport’s strategic objectives and mission statement WLS should be recommended for purchase.

**Requirement (b)(ii)**
There are also some negative aspects attached to the ownership of WLS. The Chairman has discovered a Corporate Social Responsibility audit report prepared by QEG, a leading international consultancy. The audit report has criticised WLS because:

1. It has a very high carbon footprint.
2. In some countries it has unfair and discriminatory employment practices.
3. Its customer services standards were widely perceived to be ‘poor’ and a US consumer organisation accused WLS of having a ‘Couldn’t care less attitude’.

Each of these criticisms conflicts with one or more aspects of DEF’s published policy:

• ‘a very high carbon footprint’. This conflicts with the mission statement and possibly the strategic objective ‘Minimise the pollution effects of the operation of the airport’.
• ‘unfair and discriminatory employment practices’. This conflicts with the mission statement.
• ‘customer service standards were widely perceived to be ‘poor’. WLS has a ‘Couldn’t care less attitude’. This conflicts with the mission statement.
• QEG’s overall judgement is that WLS ‘is not a good corporate citizen’ and so has been awarded QEG’s lowest possible rating. This conflicts with the mission statement.
Conclusion
If DEF buys WLS it will be buying good financial performance and WLS will contribute to the fulfilment of some of DEF’s published policies. However, WLS’s overall performance will also conflict with some of DEF’s published policies. DEF should enquire as to the degree of the problems identified by QEG within WLS, and should obtain estimates as to the costs of rectification. If the cost of rectification is self-financing within WLS’s current and forecast revenue and profit streams, then it should be recommended for purchase. However, if the cost of the rectifications cannot be met from within WLS’s current and forecast resources then the purchase should not proceed.

Requirement (c)

<table>
<thead>
<tr>
<th>BCG category</th>
<th>Business segment</th>
<th>Market growth rate</th>
<th>Relative market share</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dog</td>
<td>Property rentals and other fees and charges</td>
<td>Low</td>
<td>Low</td>
<td>A mixture of revenue streams. Property rental income is likely to decline. Neutral cash flow: negative recently</td>
</tr>
<tr>
<td>Cash cow</td>
<td>Aviation income</td>
<td>Low</td>
<td>High</td>
<td>Cash flow strongly positive. Airport projecting strong growth in passenger numbers, despite intense competition in a mature market. Aviation income has ‘some future growth prospects’</td>
</tr>
<tr>
<td>Question mark (Problem children)</td>
<td>1. Car parking 2. Retail concessions</td>
<td>High</td>
<td>Low</td>
<td>1. Marginally positive cash flow. Competitors are undercutting DEF’s prices and offering additional services. 2. High market growth rate of recent past has slowed down greatly. Market share and growth rate restricted by increasing competition</td>
</tr>
<tr>
<td>Star</td>
<td>Cargo handling</td>
<td>High</td>
<td>Not known</td>
<td>If WLS is purchased, it will add to positive cash flows, now and in future and give DEF an international dimension.</td>
</tr>
</tbody>
</table>

Examiner’s note: placing the business segments within the BCG matrix relies upon the interpretation of information given in both the pre-seen and unseen parts of the case. Further, the boundaries between the categories within BCG are ‘fuzzy’. Therefore, credit was given to candidates who may have categorised the segments differently to that shown above providing they supported their answer with relevant justifications.

The BCG categories conventionally have recommendations for strategy attached for them as follows:

<table>
<thead>
<tr>
<th>BCG category</th>
<th>Business segment</th>
<th>BCG suggested strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dog</td>
<td>Property rentals and other fees and charges</td>
<td>Divest</td>
</tr>
<tr>
<td>Cash cow</td>
<td>Aviation income</td>
<td>Hold or Harvest</td>
</tr>
<tr>
<td>Question mark (Problem children)</td>
<td>1. Car parking 2. Retail concessions</td>
<td>Invest to Build or Shut Down</td>
</tr>
<tr>
<td>Star</td>
<td>Cargo handling</td>
<td>Hold</td>
</tr>
</tbody>
</table>
These suggested strategies should not necessarily be followed because of the inter-locking aspects of the Airport's business. Taking each one in turn the following should be considered:

**Property rentals and other fees and charges:** Before this is divested the Board should evaluate how this strategy would impinge on its other business segments. For example, there is a proposal to introduce cargo handling services to the Airport in 2014. It is likely that these services will require buildings for storage and so it might be unwise to divest the Airport of its properties in 2011.

**Aviation income:** The suggested BCG strategy of ‘Harvesting’ implies that DEF should minimise additional investment in this segment to maximise cash flow for use elsewhere in the portfolio. However, as Aviation Income derives from the Airport’s fundamental business this strategy should not be followed. It is more appropriate to ‘Build’ this business segment.

**Car parking:** There are two possible strategies to follow for this segment, invest to build or shut down. As the segment faces increasing competition, it is not clear on the basis of the available information which of these should be followed.

**Retail concessions:** The same strategies are suggested as for car parking. However, like property rentals, if the retail concessions were discontinued, that is, the Airport had no shops this is likely to adversely affect the general business of the Airport. Therefore, the retail concessions’ strategy should be ‘Hold’ but kept under review.

**Cargo handling:** This business segment represents a diversified form of revenue stream and contributes to the general strategy although it does have concomitant disadvantages. The strategy of hold does seem appropriate.

**Summary**

*Property rentals and other fees and charges:* Hold until 2014 and then review.

*Aviation income:* Build this business segment.

*Car parking:* There are two possible strategies to follow for this segment, invest to build or shut down. As the segment faces increasing competition it is not clear on the basis of the available information which of these should be followed.

*Retail concessions:* Hold.

*Cargo handling:* Hold.
Answer to Question Two

Requirement (a)

If XYZ produces a policy for Corporate Social Responsibility (CSR), there are a number of possible benefits it could receive. XYZ wishes to be listed on a stock exchange because this would give it access to capital and XYZ’s auditors have advised it that a CSR policy is a requirement of listing.

In addition to this direct benefit, XYZ could benefit because companies with an active CSR focus are ranked by two major indexes. The ‘FTSE4GOOD’ index series measures the performance of companies that meet globally recognised CSR standards and is ‘designed…to facilitate investment in these companies’ (FTSE 2010). The ‘Dow Jones Sustainability Indexes’ track the financial performance of the leading ‘sustainability driven companies worldwide’. These indexes provide asset managers with ‘reliable and objective benchmarks to manage sustainability portfolios’. (2010 SAM Indexes). If XYZ has a CSR policy, it would enable it to be ranked on these two influential Indexes which could increase its attractiveness to ethical investors.

Research studies conducted in the late 1990’s have indicated that companies investing in CSR have good financial performance. One view of company performance suggests this depends on the amalgamation of physical, human and organisational assets it offers to the external environment. XYZ, by following a CSR policy, can nurture and develop sustainable relationships with its stakeholders. If these relationships are difficult for other companies to imitate, then XYZ will have created competitive advantage for itself.

XYZ, in its pursuit of CSR, is acknowledging the needs of a wide group of stakeholders; that is, it regards itself as having responsibilities which are wider than those which it owes to its shareholders. This acknowledgement should bring two benefits to XYZ: it should foster good relationships with its stakeholders and this should enhance XYZ’s reputation. Investing in stakeholder relations will promote loyalty to XYZ from its suppliers, staff and customers. This can lead to further benefits, for example, loyal staff are likely to want to stay working for XYZ so staff turnover will reduce which, in turn, reduces costs. If XYZ establishes a good reputation for its CSR policy, this will make it an attractive place to work and help it recruit high quality workers.

In order to implement a CSR policy, XYZ will have to acquaint itself with its stakeholders’ preferences. This implies that XYZ will inform itself of changes in external regulations, technology and social attitudes. This awareness will be of assistance to XYZ’s management of both internal and external risk.

Requirement (b)

In its formulation of a CSR policy, XYZ should include sections dealing with the following matters:

Waste: As XYZ’s manufacturing process produces large quantities of waste it should consider how this is disposed of and the extent to which any of the waste is recyclable. The production of the waste will have involved the use of resources, such as energy, so XYZ should ensure that there is no unnecessary waste.

Noise: XYZ’s CSR policy should acknowledge the existence of the noise which it creates and describe how noise will be managed. Noise may not only affect XYZ’s employees but noise pollution may contribute to environmental degradation in the area surrounding XYZ’s premises.
**Smell:** the same considerations which apply to noise pollution apply to the odour pollution created by XYZ’s process.

**Raw material procurement:** As XYZ sources some of its materials from economically underdeveloped countries, XYZ’s CSR policy should delineate the terms upon which this business is conducted. The CSR policy should state XYZ’s desire for equitable trading relationships with its suppliers and might include the aspiration to be a ‘Fair Trade’ partner.

**Workforce:** XYZ’s CSR policy should include a statement about how it deals with equality of treatment for its workforce. Additionally, because XYZ has experienced a number of accidents recently, XYZ should make a commitment to workplace safety.

**Compliance:** XYZ has always tried to obey its country's laws which is commendable. CSR implies that companies will exceed their legal responsibilities if necessary. However, it would be appropriate for XYZ’s CSR policy to acknowledge its willingness to comply with the law.

**Requirement (c)**

Kurt Lewin (1975) proposed a three stage model of change which could be applied to the implementation of a CSR policy.

**Unfreezing:** This would involve XYZ finding methods of making the need for a CSR so obvious and compelling that its workforce will readily understand why a change from no CSR policy, is necessary. Unfreezing will also assist the workforce in accepting the change. There are a number of arguments which will help XYZ in ‘unfreezing’. One strong motivation for the change is related to a bigger change, that of a listing on the stock exchange. If the workforce accepts the desirability of a listing then it should accept the need for a CSR policy.

On a more personal level, the employees will realise that many aspects of the CSR policy deal with their working lives, for example, noise, smell and safety. Thus, when the CSR policy is implemented, the employees may find that aspects of their working lives improve which will give them the motivation to ‘Unfreeze’.

**Changing:** XYZ will want employees to change their patterns of behaviour so that the values expressed within the CSR policy become accepted by the employees and form part of their normal way of thinking. In this transitional stage, XYZ could facilitate the change by encouraging its employees to identify their own behaviour with that of role models who are expressing/demonstrating new behaviour patterns. For example, senior managers, such as the Managing Director, could attend safety training courses with production operatives to demonstrate commitment to the new CSR policy. XYZ could also place employees in situations where they have to adopt new behaviours if they are successful. For example, XYZ may commit itself in its CSR policy to a reduction in noise levels and this would compel manufacturing and engineering managers to investigate different production techniques.

**Refreeze:** Once the behaviour patterns within XYZ have been changed, then ‘Refreezing’ will ensure that the new patterns become the norm and there is not a regression to previous behaviour. Refreezing will aim to consolidate the new behaviour so it becomes the accepted way of doing things. Some refreezing will be organic in that the more often the new behaviour is repeated the more familiar it becomes until it attains the status of habit. XYZ could also make positive interventions to support the new behaviour. For example, the staff responsible for reducing noise levels could show their performance against targets linked to XYZ’s appraisal system: staff who suggest CSR improvements might also be rewarded.
Answer to Question Three

Requirement (a)

NGV employs 320 staff and has forecasted annual expenditure in 2011 between £20 and £25 million and has 180 cost centres. This implies it is the sort of complex organisation which would benefit from a system of financial control based on financial ratio analysis. However, this normally takes place against a background of budgetary reporting where actual expenditure is compared to budget expenditure. This is usually reported both on a period and year-to-date basis. It is also common for the periodic reporting, which is usually done monthly, to be accompanied with forecasts of expenditure for the remainder of the budget year. Budgets may be modified during the budget year if a fundamental change has occurred and they are often kept continually up-to-date by the use of ‘rolling’ budgets.

However, many of the components required for a system of budget reporting are not in place in NGV. NGV does not have a management accounting function and only knows ‘approximately’ the aggregated spending which has taken place. For effective control to take place there would need to be disaggregation of the total budget and this would be normally analysed within responsibility centres which reflected NGV’s organisational structure. Neither, does NGV have a formal system for forecasting expenditure and, as it normally has a deficit at the year end, there is a weakness here which needs to be rectified.

Financial control based on ratios encapsulates the financial performance of an organisation summed up by the ratio: Percentage Return on Investment (ROI). ROI is usually analysed into its components which examine Income: Sales and Sales: Investment. These ratios are then analysed in their turn. However, little of this analysis could be performed within NGV at present, as it has no sales revenue and the value of its assets is not recorded within NGV.

NGV does not generate any income and does not receive the benefits of the commercial exploitation of its innovations. Bringing the process for patenting innovations and exploiting them within NGV would be a major contribution towards NGV becoming commercial. However, this is a separate issue to the introduction of financial ratio analysis.

If NGV was to earn income from its innovations, it would be more appropriately constituted as a profit centre or, possibly, an investment centre.

Summary

Financial ratio analysis will be able to make a contribution towards NGV becoming commercial. However, this will be limited as many of the aspects of a commercial business are missing within NGV.

Requirement (b)

NGV currently employs 80 staff who are regarded as being world leaders in their research expertise. These staff often produce innovations with great commercial potential but frequently leave for better paid jobs in the private sector. Another problem which NGV faces is that of staff who leave before the completion of their research project which cannot then be completed because their expertise has been lost. In addition to the knowledge of the research projects which NGV is losing, it is also losing the tacit knowledge, or ‘know-how’ of the staff who leave. Tacit knowledge is informal knowledge and personal to the individual but it represents a significant organisational asset. The ‘brain drain’ to which the Director of NGV refers is inhibiting his organisation’s success and it would be the aim of a knowledge management strategy to secure for NGV a richer ‘knowledge stock’ which would assist it in its quest to become commercial. NGV also has many staff who have not produced any significant research ‘break-throughs’. It could be that these staff would be enabled to be more creative and productive if NGV implemented a knowledge management strategy.

In order to implement a knowledge management strategy, like so many other strategies and initiatives, there needs to be support for it at the highest level of the organisation. One reason for this is that the implementation of the knowledge management strategy will cost money and might lead to changes in organisational structure and procedures. Thus, for example, there
may need to be appointed knowledge managers who are responsible for the strategy’s implementation.

This high level support should not be too difficult to achieve as the Director has articulated his concern at the number of staff who leave and this concern is strengthened by the pressure he is being put under to become commercial. One practical measure the Director could instigate is a review of the pay structures at NGV, as inadequate pay may be exacerbating the loss of institutional knowledge.

As NGV has 320 staff there will need to be some technological infrastructure designed to assist in the capture and storage and distribution of knowledge. This could take the form of an Organisational Management System (OMS) which could include e-mail, databases, intranets and data mining tools. The OMS should aim to deal with both ‘explicit knowledge’; that which is already known within the organisation, for example, research reports, and tacit knowledge; that which is contained within peoples’ heads.

The next step towards implementing the knowledge management strategy would be to build ‘repositories of knowledge’ appropriate for NGV which would consist of a network of contents pages giving links to other databases where the actual knowledge is stored. This step is most important as knowledge is of no use unless it can be located by any legitimate user. The services of an information specialist, such as a librarian may be very useful in building the repository.

There would be a need to foster a culture of sharing knowledge within NGV so that it can be captured, stored and used. There may be resistance to this from some staff, particularly with respect to their own tacit knowledge, as this is usually regarded as a personal possession. This may prove to be the most difficult part of the implementation for NGV. The staff would need to be convinced that the knowledge management strategy provided mutual benefits for NGV and for the individual.

Finally, the various databases would need to be populated and the staff trained and encouraged to use their contents. The operation of the OMS would need to be kept under review and up-dated as necessary. If the system is working well this should provide a source of motivation for NGV’s staff. This motivation could be reinforced by linking individual’s participation in the culture of sharing of knowledge to NGV’s staff appraisal system, if it has one.
Answer to Question Four

Requirement (a)(i)

The case for an Information Technology and Information Systems strategy
LM does not have a strategy for Information Technology and Information Systems (hereafter IT). It is spending a significant amount on IT. In 2010 this amounted to £1 million the same as its forecast profit for 2011. The Board of LM will be interested in the potential scope for any reductions in IT spending because, as equity holders, they would benefit from this. However, it could be the case that LM is not spending enough on IT and that this is restricting its growth and profitability. One of the deficiencies of LM is that it has not recognised the strategic importance of IT for its business. At the strategic level, this means that it has foregone the opportunity of using IT as a strategic variable which could give it a competitive advantage. Its use of IT could possibly distinguish it from other recruitment agencies and allow it to differentiate itself. As LM is organised into three divisions serving three niche markets it could be that IT could be tailored distinctively to support each of the divisions as their needs will be distinct.

At the management and operational levels LM’s incoherent use of IT causes it difficulties, for example, it is difficult to transfer information within LM because of incompatible software and LM may not be getting the best prices when it buys hardware because this is done in an uncoordinated way. The appearance which LM presents to the outside world via its website is a variable one and probably detracts from LM’s image and possibly its business growth.

All these are compelling reasons why LM should formulate an overall strategy for IT.

Requirement (a)(ii)

Contents of the IT strategy
The strategy should contain a statement of how LM intends to use IT to support its overall business strategy. Will IT be used as a source of competitive advantage or will its role be confined to being an enabler of LM’s other strategies?

The strategy should state the timeframe with which it is concerned. As IT changes so quickly LM’s IT strategy should state how often, and the means by which, it will be reviewed. The strategy should also articulate the resources and competences upon which it is based. It would be appropriate to state the amount of LM’s spending on IT during the course of the strategy’s duration. This may be stated in absolute terms or it may be stated as a proportion of revenue. The strategy should also state how and when the spending would be reviewed. The strategy should also state how the staff working in LM should use and be trained in the use of IT. The strategy should set some common standards for LM in its use of software, web design and hardware sourcing and acquisition.

Requirement (b)

Once the strategy has been drafted LM has to implement it. As with any strategy before it is adopted, it could be subjected to the three tests (suggested by Johnson, Scholes and Whittington in 2008): Suitability, Acceptability and Feasibility.

On the assumption that the strategy passes these tests the first step would be to designate an LM Board member to be given responsibility for the strategy. There has to be, within LM, recognition that the implementation of the new strategy is a significant change. The Board member who is given the responsibility for the IT strategy will have to act as a change agent. One of the primary tasks he will have to deal with is how LM will reconcile its policy of divisional autonomy with its new overall IT strategy. The strategy will contain some centralised aspects, for example, in the use of software and this will have to be implemented sensitively. However, these common standards should not necessarily jeopardise divisional autonomy.

It is important that the change agent does not operate in isolation and it would be sensible to form a working group to introduce the strategy and implement it across LM and its divisions. Each division should be represented on the working party.
The working party should construct, within the parameters of the overall strategy, an implementation plan including a time-line. It is likely that the plan will have to make provision for some training and it should definitely contain a communication and dissemination plan. The working party should try to gain the support of influential people within the divisions for the new strategy. It is reasonable to assume that the new IT strategy may not be welcomed by everybody so the working party should have prepared tactics to deal with resistance to its proposed changes.

Finally, the working party should propose a protocol for its reporting to the Board. It should also put in place arrangements both for the review of its own activities and also for the operation of the IT strategy.