Answer to Question One

Requirement (a)

Desserts Division proposed Freezer Deals: Year 1

<table>
<thead>
<tr>
<th>Freezer Deal</th>
<th>Exclusive</th>
<th>Half-Way House</th>
<th>Free and Easy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freezer net cost</td>
<td>£500</td>
<td>£300</td>
<td>£300</td>
</tr>
<tr>
<td>Retailers: take-up</td>
<td>5,000</td>
<td>2,700</td>
<td>135</td>
</tr>
<tr>
<td>Total freezer cost</td>
<td>£2,500,000</td>
<td>£810,000</td>
<td>£40,500</td>
</tr>
<tr>
<td>Marketing cost</td>
<td>£960,000</td>
<td>£324,000</td>
<td>£0</td>
</tr>
<tr>
<td>Year 1 total cost</td>
<td>£3,460,000</td>
<td>£1,134,000</td>
<td>£40,500</td>
</tr>
</tbody>
</table>

Additional monthly sales: 800 500 200
Retailers: 5,000 2,700 135
Monthly sales: £4,000,000 1,350,000 27,000
Contribution margin: 5.5% 7.5% 10.0%
Monthly contribution margin: £220,000 101,250 2,700
Yearly additional contribution margin: £2,640,000 1,215,000 32,400

Year 1 Profit/(Loss): (£820,000) 81,000 (£8,100)

Market share per month
Total market = £50,000,000
Market share increase: 4/50 1.35/50 0.27/50
6/50 2.7% <0.65%

Marketing cost: £16x12x5,000 £10x12x2,700 Nil

The criteria against which the freezer deals should be judged are:

- ‘any spending must have a payback period of 1 year’
- ‘an increase in market share’

These criteria should also be judged against the strategic aim ‘increase profitability of each division through increased market share in both domestic and overseas markets’. The
Divisional General Manager has indicated that he is ‘willing to authorise an additional expenditure of £2 million’.

**Half-Way House (HWH)**
The calculations above reveal that the only freezer deal where the additional contribution exceeds the additional cost and so ‘pays back’ in year 1 is the HWH. This deal also contributes an additional 2.7% of market share bringing the Desserts Division up to approximately 10% which is a significant amount. HWH would also produce £81,000 profit in the first year. All these aspects suggest that the HWH freezer deal should be the one which the Desserts Division should offer to the independent retailers.

However, before making a recommendation it would be prudent to assess the other two deals and to also look at a time period longer than a year.

**Free and Easy (FaE)**
This deal costs significantly less than the £2 million limit due to the very small take-up predicted for it. It does not pay back in year 1 as a loss of £8,100 is predicted. However, it does produce a slight increase in market share. When compared to the other two possible deals the FaE is very much inferior and should be ruled out of consideration.

**Exclusive**
This deal exceeds the £2 million cost limit at £3,346,000. It does not make a profit in year 1 and so does not payback in year 1. However, it does provide a very large increase in market share of 8%. This deal like FaE would offer the Desserts Division an advertising outlet through the point-of-sale materials which it would supply to the independent retailers. It would also have the opportunity to conduct market research directly with consumers.

The three deals are summarised below:

<table>
<thead>
<tr>
<th>Deal</th>
<th>£2 million</th>
<th>1 Year Payback</th>
<th>Increased Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Half-Way House</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Free and Easy</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Superficially, the Half-Way House deal looks as though it should be recommended as it satisfies all three of the decision criteria. However, a strategically minded Management Accountant should always take a holistic view of any decision to which he contributes. When this is done it can be seen that the Exclusive deal offers a great deal more than the Half-Way House. Under the Exclusive deal, the independent retailer will be obliged to sell the Desserts Division’s products exclusively for a period of three years. The Exclusive deal together with the existing business will give a combined market share of 15%, which represents a significant increase. However, there may be some additional costs as the maintenance of the freezers will be the responsibility of the Desserts Division although these are expected to be minimal.
Desserts Division proposed Freezer Deals: Years 2 and 3

<table>
<thead>
<tr>
<th>Freezer Deal</th>
<th>Exclusive</th>
<th>Half-way House</th>
<th>Free and Easy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing cost</td>
<td>£ (960,000)</td>
<td>£ (324,000)</td>
<td>£ 0</td>
</tr>
<tr>
<td>Additional margin</td>
<td>£ 2,640,000</td>
<td>£ 1,215,000</td>
<td>£ 32,400</td>
</tr>
<tr>
<td>Yearly profit</td>
<td>£ 1,680,000</td>
<td>£ 891,000</td>
<td>£ 32,400</td>
</tr>
</tbody>
</table>

When the results for year 2 are calculated, as above, a very different picture of the attractiveness of the three deals emerges.

The Exclusive deal is seen to be the most profitable. This is because it no longer has to bear the cost of supplying the freezers to the independent retailers. The calculations assume that marketing support will be continued at an annual cost of £0.96 million. The Exclusive deal profit exceeds that expected from the Half-Way House deal although that is also good. Both of these deals eclipse what would emanate from the Free and Easy deal. Taking a three year time period, the length of the Exclusive deal, and assuming that a freezer has a three year working life, the results for the three deals are predicted to be:

3 year cumulative profit/(loss)

<table>
<thead>
<tr>
<th>Freezer deal</th>
<th>Exclusive</th>
<th>Half-Way House</th>
<th>Free and Easy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>(820,000)</td>
<td>81,000</td>
<td>(8,100)</td>
</tr>
<tr>
<td>2</td>
<td>1,680,000</td>
<td>891,000</td>
<td>32,400</td>
</tr>
<tr>
<td>3</td>
<td>1,680,000</td>
<td>891,000</td>
<td>32,400</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2,540,000</td>
<td>1,863,000</td>
<td>56,700</td>
</tr>
</tbody>
</table>

3 year deal

<table>
<thead>
<tr>
<th></th>
<th>Profits £000's</th>
<th>1 year payback</th>
<th>Increased market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive</td>
<td>2,540</td>
<td>No</td>
<td>Yes by 8%</td>
</tr>
<tr>
<td>Half-Way House</td>
<td>1,863</td>
<td>Yes</td>
<td>Yes by 2.7%</td>
</tr>
<tr>
<td>Free and Easy</td>
<td>56.7</td>
<td>No</td>
<td>Negligible increase</td>
</tr>
</tbody>
</table>

Recommendation

It is recommended that the Board of the Desserts Division offers the ‘Exclusive’ freezer deal to the independent retailers. This is because this deal offers £677,000 more in profit than the next best deal, Half-Way House, over a period of three years (subject to the assumptions made above). This extra profit earned over the three year period is sufficient to over-rule the consideration that the Exclusive deal does not satisfy two of the decision criteria in year 1: namely, it does not yield a payback and it exceeds the cost expenditure limit of £2 million.

Requirement (b)(i)

Currently F plc has four strategic aims which have been set ‘to enable F plc to meet the obligations contained in its mission statement’.

F plc’s mission is stated as: ‘……to continually seek ways to increase its return to investors by expanding its share of both its domestic and overseas markets. It will achieve this by sourcing high quality ingredients, using efficient processes and maintaining the highest standards of hygiene in its production methods and paying fair prices for the goods and services it uses.’

The mission statement does not explicitly mention Corporate Social Responsibility (CSR) which is an argument for not formulating a new strategic aim to deal with CSR. However, it is arguable that notions of CSR are implicit within the mission statement as it refers to:
• ‘sourcing high quality ingredients’
• ‘using efficient processes’
• ‘Maintaining the highest standards of hygiene’
• ‘paying fair prices’

Therefore, if a new strategic aim dealing with CSR was to be added, it can be argued that this would simply be making something explicit which is currently implicit.

F plc’s mission statement was drafted in 2000 and it could be that it is, to a degree, outdated. F plc ‘takes CSR seriously’ and this is evidenced by the appointment of an Environmental Effects Manager. Therefore, if a new strategic aim reflecting F plc’s commitment to CSR was added, this would reflect F plc’s present corporate attitude.

Requirement (b)(ii)

F plc’s Environment Effects Manager reports to the Board of Directors on the progress towards the achievement of F plc’s CSR targets. This is an annual report and deals with waste reduction and recycling, food labelling, transportation, and efficiency of energy usage in production. The report contains much detailed information about F plc’s targets and its performance when measured against these. For example, the report shows that F plc failed to meet its target of a 10% reduction in air travel in 2010. If this was published externally, F plc might be criticised because of the shortfall rather than being commended for achieving a 3% reduction.

The report also shows that two food products are being investigated by the Foods Standards Authority for ‘inaccurate labelling’. Whilst it is important that the Board of F plc is aware of these problems, publication of these to a general audience might not be in F plc’s best interests. These considerations would militate against external publication of F plc’s internal CSR report.

However, if F plc was to publish an external CSR report it would not necessarily have to be identical to the internal one. As there is no prescribed format for CSR reports within the United Kingdom, F plc is free to publish whatever information in whatever format it chooses. It could, therefore, use the internal CSR report as a basis for its external CSR report taking care to retract any sensitive information. The external publication of a CSR report would demonstrate that F plc ‘takes CSR seriously’ and could be a motivating factor for many of its stakeholders.

Requirement (b)(iii)

The day-to-day responsibility for F’s CSR is carried out by the Environmental Effects Manager (EEM). The size of the EEM’s budget is £100,000 and she has no support staff. As the EEM has to deal with an increasing amount of environmental legislation, advice and guidelines as well as her responsibilities within F plc, her effectiveness would be increased if she had colleagues to assist her. As the post of EEM was only established two years ago, F plc may not have been aware of the demand that would be placed on the EEM but it seems that an increased establishment is now necessary. This implies that the annual budget for the EEM must increase.

Currently, the EEM seems to be working in a vacuum. She rarely speaks to her manager, the Director of Operations. Although she reports annually to the Board of F plc, she never meets them and doesn’t receive feedback about her report. Her effectiveness could be improved if she was able to personally present her annual report to the Board and receive feedback directly from the directors. The Director of Operations should also arrange to meet the EEM regularly where they could discuss priorities and progress.

The EEM does not have the support of all the divisional management within F plc and has not met all of them. The Director of Operations should facilitate the EEM meeting with the divisional management where she should be given an opportunity to inform the managers about her role and how she could help them in their work. The EEM should also be empowered to attend Divisional Board meetings on a regular and frequent basis.

The Board could also improve the effectiveness of the EEM by deciding to publish an external
CSR report. This would provide a clear indication to F plc staff that CSR is important and, by implication, so is the EEM. This could assist the effectiveness of the EEM’s working relationships with divisional management.

**Requirement (c)**

F plc is a complex organisation: it has 10,000 FTE employees and three divisions in different parts of the United Kingdom. Information systems (IS) and its associated technology offer F plc the opportunity to communicate with all parts of its organisation.

**Implement:** The internal CSR report shows that F plc has a range of targets associated with its CSR policy. IS would facilitate the collection of data and information which would assist in the formation of these targets. The data and information could come from within F plc and could be collected by means of an Intranet. It could also emanate from outside F plc and be collected by means of the Internet. Comparative information could be collected from the Internet for the purposes of benchmarking. IS would enable the comprehensive dissemination of these targets within F plc.

**Monitor:** An essential part of operating the CSR policy is to monitor actual performance against targets. F plc has a company-wide standard information management system and this could be used to monitor CSR. The advantage of a company-wide system is that it should provide consistency of comparison across the three divisions. The monitoring could be carried out on a real-time basis which would particularly benefit such items as waste reduction. For example, if the monitoring revealed that the Desserts Division was currently wasting the ingredient sugar, immediate remedial action should be taken to stop/reduce the wastage. In such a case, real-time monitoring could be linked to process control so that automatic remedial action happens. The IS could contribute to this control which would not necessarily require a human input.

**Report:** Once targets have been established and are being monitored, the natural development is to report on performance. F plc could use its standard information management system to compile reports which should all be prepared to common standards. However, the focus of individual reports will vary from division to division. IS will enable the reports’ authors to download data relevant to their division from the central system which they can then use for the division’s particular purposes. The resultant reports could then be made available via the Intranet with restrictions on readership where appropriate. The internal e-mail system could be used to inform F plc staff about reports in which they have a particular interest and this could be supplemented by mobile phone alerts.
SECTION B

Answer to Question Two

Requirement (a)

Strengths
SAH has a control system based on standard costing.

The control system covers manufacturing cost which is 60% of a yacht’s total cost.

The managing director, N, is familiar with the control system.

Weaknesses.
N has experienced difficulty in his role because the control system only reports financial results.

Although the current system endeavours to control the majority of manufacturing cost this leaves some significant gaps: namely the other 40% of a yacht’s total manufacturing cost and also all other costs, for example, marketing and finance.

The control system is now 26 years old. Although it was effective in 1985, changes since may have impaired its effectiveness. It seems that it would benefit from a review.

N, the managing director of SAH, would like a system that gives him ‘integrated control over all aspects of the business’. The current system does not do this.

SAH’s customers value quality, reliability and performance. The current control system does not explicitly report on any of these attributes.

SAH has been criticised by its customers for late delivery and by potential customers because its yachts look ‘old-fashioned’ and are ‘too slow’. N has stated that the current Return on Capital Employed (ROCE) of 3% is unacceptable. SAH’s cash flow is under pressure. All these, although not due exclusively to the control system, nevertheless suggest that it is not adequate for SAH’s current needs.

Requirement (b)(i)

The Balanced Scorecard is designed to ‘translate mission and strategy into measures and objectives’. Its purpose is to inform employees about the drivers of success and direct their attention towards actions that will help to deliver the organisation’s Vision and Strategy. The Vision and Strategy should be made explicit within the Balanced Scorecard.

Financial perspective: Proposed measures

- **Aggregate contribution margin**: An improvement in this measure should improve ROCE which is currently unacceptably low.
- **Receivables**: Cash flow is very important for SAH and it has been under pressure recently. A reduction in receivables will improve SAH’s cash flow.

Customer perspective: Proposed measures

- **Performance against delivery dates**: This was a weak area for SAH in 2010/2011. SAH would want to improve its performance here and so improve its image to its customers and potential customers.
- **Order book**: As each yacht is built to order and takes at least a year to build, it is important that SAH knows it has continuity of demand. SAH can gauge the popularity of its yachts by the number of people who have placed an order for one.
Learning and growth: Proposed measures

- **Number of staff with advanced craft and academic qualifications**: SAH has had a policy of developing its staff from within. However, it has experienced criticism because its yachts look 'old fashioned'. It may be that SAH's ability to change and improve has been inhibited by a lack of staff with advanced qualifications.

- **Number of design innovations**: This measure would demonstrate SAH's ability to change its manufacturing processes to improve efficiency and reduce cost and its product designs to meet customers' needs.

Internal business perspective: Proposed measures

- **Materials price variance**: This would focus attention on a current area of difficulty for SAH, which is having to deal with increasing material prices.

- **Build time per yacht**: If SAH could reduce its build time it might be able to avoid late deliveries, sell more yachts and use its working capital more efficiently. This could improve its profitability.

The introduction of Balanced Scorecard into SAH does not necessarily mean that it should abandon its standard costing system. As this deals with 60% of the total cost of a yacht, the standard costing can still give valuable control information.

Examiner’s comment: Although only one measure was required there are a great deal of possible measures which SAH could use within a Balanced Scorecard. Two possible ones have been given for each perspective. Candidates who proposed alternative, credible measures were appropriately rewarded.

**Requirement (b)(ii)**

N could encounter the following problems when he introduces the Balanced Scorecard:

**Gaining management commitment to the concept of the Balanced Scorecard**
Kaplan suggest that some managers prefer to be measured solely by financial measures because these are inaccurate and obscure individual's responsibility for performance. As the Balanced Scorecard does not link directly to profit, some managers believe it not to be relevant to them.

**Congruency of measures**
Although the measures proposed for the Balanced Scorecard are supposed to be congruent, i.e. mutually reinforcing, they may not be. Thus, for example, an initiative to improve the customer experience may adversely affect a financial measure, for example, Return on Capital Employed.

**Measuring only the things that are easy to measure**
This may occur because the business is unaware of the processes that add value to the business. Balanced Scorecard measures need to reflect aspects of the business operations that contribute towards the achievement of its vision. Such aspects may not previously have been measured and the formulation of new measures may be difficult, for example, measuring quality. This may lead managers to ignore these aspects and concentrate their attention on measurable but less important aspects of the business operations.

**Allocating responsibility for developing the measures**
The measures should be developed by staff with an all-round understanding of the business. These will not necessarily be from within the finance function. If the measures are developed within the different functions there is likely to be a variable degree of expertise available to perform this task. If the measures are developed centrally, they may be resisted by managers if they have not been consulted in the process.
Answer to Question Three

Requirement (a)

Ansoff’s product-market scope matrix (below) shows the possible future strategic directions available to a business.

<table>
<thead>
<tr>
<th></th>
<th>Existing Products</th>
<th>New Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Market</strong></td>
<td>Market Penetration</td>
<td>Product Development</td>
</tr>
<tr>
<td><strong>New Market</strong></td>
<td>Market Development</td>
<td>Diversification</td>
</tr>
</tbody>
</table>

All the strategies within the four cells imply increased investment in products and markets and so are usually associated with growing markets where a reasonable rate of return can be earned.

The future direction of TKC is going to be influenced by two important factors:

1. TKC is going to dispose of two of its divisions to achieve ‘a more concentrated business focus’.
2. Its potential new acquisition, BAB, has a substantial export business which TKC does not have.

If Ansoff’s matrix is used to analyse the future strategic direction of TKC, opportunities could be identified in the following areas.

- **Market penetration:** TKC may be able to offer some BAB products to TKC’s customers.
- **Market development:** TKC may be able to offer some of its products in BAB’s export markets.
- **Product development:** The acquisition of BAB may lead to synergistic benefits in the area of product development. Any new products could be offered to both TKCs and BAB’s customers.
- **Diversification:** TKC’s Board wants to achieve ‘a more concentrated business focus’. It is unlikely therefore that it would be interested in diversification.

Requirement (b)

The factors in favour of TKC acquiring are:

- Post acquisition, TKC would have the largest engineering business in the UK.
- The acquisition would give TKC substantial export business which it does not currently have.
- Despite the recession and the severe downturn in consumer spending, TKC’s engineering division is profitable. TKC claims it has ‘exceptional management skills’. It could be that these could be applied to the new acquisition which could earn ‘exceptional profits’.

Unfavourable aspects of the proposed acquisition relate to the current status of BAB which is in financial difficulties. The reasons for the failure are unknown but must relate to problems...
with its financing, performance or possibly both. The acquisition of up to 500 new employees would be a substantial management task for TKC.

TKC’s decision to buy BAB will be largely influenced by the reasons for BAB’s failure and whether TKC has the resources to remedy these.

TKC has no experience of export business, so it may not have the expertise to earn a profit from these.

Requirement (c)

As a publicly listed company, TKC should be conscious of the effect that these changes will have upon its share price. TKC should plan a campaign to influence the wider financial community in favour of its proposals. It could be open to the criticism that, with a falling share price and little cash, this is not the time to be making a substantial acquisition. TKC needs to stress the positives which emanate from the acquisition of BAB: that it would become the largest engineering company in revenue in the UK, that it could make exceptional profits due to its exceptional management skills, that its engineering division is currently profitable and that the acquisition would bring a new aspect to its business; substantial exports. TKC should also stress that its divestment will mean its sheds its loss-making activities and will be an easier company to manage in the future with a sharper focus.

If TKC proceeds with its corporate reorganisation and the acquisition of BAB, it must recognise and plan for the complexity involved in its proposals. Currently, TKC employs 900 people in its three divisions which have similar sized revenues. It is reasonable to assume that their workforces are of a similar size which means they will be losing approximately 600 employees. At the same time, TKC will be acquiring up to 500 employees with the acquisition of BAB. Dealing with the Human Resource issues presented by such large movements of employees is a very substantial task and TKC is going to have to organise its Human Resources function to deal with this. It is likely to have to use outside help to deal with this sudden increase in work.

The divestment and acquisition are going to involve considerable financial outlays. TKC has exhausted its cash reserves and its share price has experienced a severe decline. This implies that TKC may have to rely substantially on debt financing for the divestment and acquisition. Therefore, it is going to have to secure credit for a suitable period if it is to proceed with these two strategies.

It is not stated which mechanism TKC will use to divest itself of its two divisions. TKC has a variety of ways in which it can divest itself of these two divisions, namely:

- Sale
- Management buy-outs
- Liquidation

Each of these methods will require substantial senior management time and commitment and specialist legal advice. This has to be planned and the costs budgeted for.

Beer and Nohria (B&N) have categorised changes where shareholder value is the main concern as ‘Theory E change strategies’ which include ‘layoffs, downsizing and restructuring’. B&N believe that organisations using Theory E change strategies ignore the feelings and attitudes of their employees and therefore lose the commitment and creativity required for sustained competitive advantage.

It is very likely that TKC will encounter resistance to the proposed changes from a number of directions:

**TKC existing employees**: those employees in the two divisions which are to be divested may fear that they will lose their jobs, or that their employment under new owners will not be as enjoyable as under TKC, or that their working conditions/career prospects will suffer.
**TKC’s new employees**: those people currently working for BAB may not wish to work for TKC and are likely to share many of the anxieties of TKC’s existing employees.

**Shareholders**: their support will be necessary for such fundamental changes and TKC should not assume this will be given automatically. TKC will need to plan a campaign of information and persuasion to ensure its shareholders’ support.

TKC will need to plan strategies to overcome the resistance to change which it is likely to encounter from a number of sources.
Answer to Question Four

Requirement (a)(i)

A leading international financial newspaper has criticised LAS because its annual report has focused exclusively 'on the interests of shareholders and ignored 'any' other interested parties'.

These parties are analogous to 'stakeholders' which CIMA has defined as 'Those persons and organisations that have an interest in the strategy of the organisation. Stakeholders normally include shareholders, customers, staff and the local community'.

Requirement (a)(ii)

In addition to the stakeholders identified by CIMA, LAS could consider also the needs of the financial press, both national and international and any other appropriate interest group which it could identify through an exercise in stakeholder analysis and mapping.

It could also employ a categorisation of:

Internal stakeholders: for example, management

Mixed internal and external stakeholders: for example, trade unions

External stakeholders: for example, Governments.

When LAS has identified its stakeholders it could use the Mendelow matrix, which has two axes denoting factors of 'Interest' and 'Power'. This matrix identifies 'High' and 'Low' levels of these two factors and demonstrates the potential influence of stakeholder group. Thus, a stakeholder with high levels of power and interest is ranked as a 'Key Player': a stakeholder with low levels of power and interest is ranked as one on which only 'Minimal Effort' should be expended.

Requirement (b)

Purpose

LAS's original purpose was stated to be 'trade in Empire commodities'. This has become outdated and misleading. LAS is now an international property company carrying on its business in 28 different countries. It shortly plans to move its corporate headquarters to London. The purpose of a mission statement for LAS is that it would accurately convey to the outside world 'the fundamental objective of an entity' CIMA.

In order to do this, LAS would have to carry out a process of self-analysis which may prove beneficial for the company. In coming to a decision about its fundamental objective it could learn much about the organisation and its stakeholders and might suggest new future strategic directions for LAS.

Advantages of a mission statement

When the mission statement has been drafted and published it may have a motivating effect upon its employees and give them an increased sense of ownership of their organisation.

The mission statement will communicate to the outside world the current identity and purpose of LAS and those of its stakeholders.

Requirement (c)

Change agents are a response to the experience reported by Michael Jarrett that 'organisational change is exceedingly difficult and expected benefits are rarely realised'. Academic research suggests that 70% of change management programmes fail. A practice has developed in change management of involving an independent third party, a change agent, to facilitate change. The value of using a change agent is that he or she will help members of the organisation to:
• Define problems associated with the change
• Examine the problems and diagnose how they can be overcome
• Arrive at alternative solutions
• Implement solutions
• Transmit learning so the organisation can apply this to future changes

However, a contrary view about the benefits of using a change agent has been put forward by Jarrett who identified ‘seven myths of change management’. Two of these myths are:

**Change can be managed**: Jarrett contends that change agents might stimulate or even steer through change but this does not constitute managing it.

**The change agent knows best**: Jarrett’s view is that ‘Ultimately, an organisation will find its own ways of responding to change’.

Therefore, although a change agent may be useful in facilitating the corporate move this should not be regarded as a panacea. Change will continue to be difficult and the use of a change agent will not be the answer to all the problems which change presents.

**Requirement (d)**

When LAS moves its corporate headquarters, 80 employees will lose their jobs. Unfortunately, their prospects of finding a replacement job are not good. This decision has some obvious bad consequences for these LAS employees.

Although the decision to move the headquarters was made by the Board of LAS, the Finance Director, CR, bears some responsibility for it taking place because he made the original suggestion and because, as a member of the Board, he shares in its collective responsibility.

As a CIMA member, the Finance Director should ensure that his behaviour complies with CIMA’s Code of Ethics. The Code has delineated fundamental principles dealing with Integrity, Objectivity, Professional Competence and Due Care and Confidentiality. However, the Code does not exempt a CIMA member from making difficult decisions. A breach of the Code would only take place if CR infringed one of the fundamental principles described above.

As a member of LAS’s Board, CR has a fiduciary responsibility towards the company’s shareholders. As CR has identified some cost savings which would result from the move it is arguable that he would be in breach of his responsibilities, and possibly the Code, if he did not suggest it. Another consideration is that although jobs will be lost in one place, new jobs will be created in London. However, CR should ensure that when the move happens the employees who will lose their jobs are treated in accordance with legal requirements as regards their period of notice and redundancy pay.

**Conclusion**

Although CR is implicated in a decision which has some bad consequences for 80 employees this does not necessarily involve a breach of CIMA’s Code of Ethics.