
Answers

In the Strategic Professional Examinations it is not always possible to publish suggested answers which comprehensively cover all the valid points which candidates might make. Credit will be given to candidates for points not included in the suggested answers, but which, nevertheless, are relevant to the requirements. In addition, in this integrated case study examination candidates may re-introduce points made in other questions or parts of questions as long as these are made in the specific context of the requirements of the question being answered.

The suggested answers presented below inevitably give much more detail than would be expected from most candidates under examination conditions, and include most of the obvious points evidenced from the case information. The answers are therefore intended to provide a structure of the approach required from candidates, and cover the range and depth of knowledge relating to each task which might be demonstrated by the most well prepared and able candidates. They are also intended to support revision and tuition for future examinations.

1 (a) Slide notes (to accompany the sales director's slide presentation)

DULCE SHOPS

1. As the shops are our primary sales channel, they should play a key role in the growth and development of Dulce and should help us to achieve our strategic aim. A sales development strategy based on our current shops would be considered as market penetration, where we aim to increase the share of our existing market using our existing product range.
2. However, this is likely to require us to improve relationships with customers in our shops. Annual sales in our shops have decreased for the last three years, so we clearly need to focus on customer service to make sure customers return to our shops, to make repeat purchases throughout the year. This could be helped by investment in refurbishment to encourage customers into our shops.
3. This could be helped by more investment in staff training and in selecting the best performing shops in the prime locations. Investment needs to be made in improving our customer experience, which will help us to engage better with customers and provide them with a wide range of high quality products within a high-quality environment.
4. The closure of 20 of our shops (12%) may be an effective way of improving our image with customers. However, we must only close those shops which are not profitable or which do not support our brand.
5. These strategies should help us achieve our strategic aim, providing that we ensure the products demanded are available to customers. Shops are also possibly the best place to assist in achieving our strategic aim, as shops offer our customers actual experience of our brand and it is where we can build and develop strong customer relationships.

DULCE WEBSITE

1. Our website provides us with the ideal sales environment to offer new products. However, we need to be careful that these new products do not impact on our confectionery sales nor the high-quality image we strive to achieve. This could help to achieve our strategic aim only if these new products are actually demanded by the customers. However, we need to undertake further research to understand the extent to which customers are interested in buying these products through the Dulce website.
2. Our website provides us with the opportunity to develop our market, as it is a medium to sell our whole range of existing products to a wider range of customers, such as corporate and international customers. There is a large potential for international sales growth using the Dulce website, helping us to achieve our strategic aim. However, this will be very dependent on us developing the suitable infrastructure to support international sales growth.
3. However, we must manage our website sales channel very carefully, to ensure that it supports the Dulce brand image and that sufficient resources are deployed to ensure that it operates effectively.
4. International website sales, which we are predicting will grow strongly in the coming years, will also help us to develop our market, through targeting a wide range of overseas customers.

RETAIL PARTNERS

1. We should consolidate our position with our current retail partners, through careful management of our relationship with our supermarket customers in particular. We have achieved strong growth in supermarket sales of our 'own label' chocolate ranges in the last two years and consolidation will maintain strong working relationships with the supermarkets, some of which are large organisations.
2. Retail partners also give us an opportunity to penetrate the market, by selling more of our own label products to current retailers over the next few years. This will assist in achieving our strategic aim. We should also aim to sell to a wider range of retail partners (gift-shops and department stores) which would also help achieve our strategic aim.
3. Producing a luxury hand-made chocolate range is also a potential product development strategy and should help to achieve our strategic aim in providing a wide range of Dulce products where they are demanded.
4. The production of luxury hand-made products to new retail partners would help us to diversify and should assist in the achievement of our strategic aim. It could be an exciting development for Dulce but is likely to require some investment in staff training and appropriate equipment.

- (b) (i) To: Finance director
 From: Senior business manager
 Date: 1 September 20X8

An evaluation of the financial and strategic implications of prioritising the order for Excelsior department store compared with prioritising the BB order

Introduction

The following report will compare and contrast the prioritisation of the two potential orders for our proposed new luxury hand-made chocolate range. The report will also recommend which order should be prioritised to provide maximum benefit for Dulce.

An evaluation of the option to prioritise the order with Excelsior

Financial

The calculations presented below take into account the fact that we have a limiting factor in our skilled labour hours and it is this factor which will limit our ability to manufacture both orders in full. We should focus on maximising the contribution from the limited skilled labour hours available.

Labour hours per unit	2	3	3	
	A	B	C	
	\$	\$	\$	
Contribution per unit	8	9	6	
Contribution per labour hour	4	3	2	
Production order	1st	2nd	3rd	
Total labour hours available per month				30,000

1. Prioritise order for Excelsior

Production for Excelsior	A	B	C	
Units	2,000	2,000	2,000	Total hours used
Hours	4,000	6,000	6,000	16,000
Labour hours remaining to produce BB order =			14,000	
Production for BB	1st	2nd	3rd	
	A	B	C	
Units	3,000	2,666	0	
Hours	6,000	7,998	0	13,998
				29,998

Contribution per month from prioritising the Excelsior order:

	A	B	C	Total
Contribution	\$	\$	\$	\$
Excelsior	16,000	18,000	12,000	46,000
BB	24,000	23,994	–	47,994
Total	<u>40,000</u>	<u>41,994</u>	<u>12,000</u>	<u>93,994</u>

Non-financial considerations:

If we prioritise the order with Excelsior we will achieve our strategic aim of developing our products in a location where they are demanded, by selling a newly developed hand-made product to a new customer.

However, a concern of this proposed order is that it amounts to a relatively small production run: 6,000 boxes per month for three months only. These hand-made chocolates will be very labour intensive, requiring nearly 16,000 labour hours each month. In addition, we will need to take into account additional costs such as training and supervision which will also need to be factored in to our decision. However, we do not know that Excelsior will place any further orders, but one of our proposed strategic development opportunities (as proposed by the sales director) is to produce a wider range of products to sell to other retailers, and therefore it remains a possible opportunity. This new product line could prove to be highly lucrative if Excelsior places future orders.

A further consideration is that these products will be sold under Excelsior's own brand name and not Dulce's. However, it would be a great opportunity for us to work with Excelsior and develop a new market, but it would not assist in developing our own reputation in manufacturing a luxury brand.

A further consideration is that undertaking a contract with Excelsior may have a negative impact on our long-term relationship with BB supermarkets. We must not allow a potential contract with Excelsior to adversely affect this, as we sell our own label products through BB's supermarkets. If we prioritise the Excelsior order, then BB will not receive its full order of Box B and would not receive any Box Cs.

An evaluation of the option to prioritise the order with BB supermarkets

Financial

From the analysis given below, prioritising this order will give us a lower contribution than prioritising the Excelsior order. This is because if Dulce prioritises BB's requirements, based on ranking the contribution per hour of labour available, prioritising the BB order would mean that Dulce will be able to produce and sell 1,000 fewer units of B and has to make 1,000 more units of C. As each unit of B makes \$3 more contribution than C, prioritising this order will yield $(1,000 \times 6 - 1,000 \times 9)$ or $-\$3,000$ contribution, compared with prioritising the Excelsior order. However, non-financial factors must be considered (as discussed below) before making a final decision.

2. Prioritise order for BB

Production for BB	A	B	C	
Units	3,000	3,000	3,000	
Hours	6,000	9,000	9,000	Total hours used
				24,000

Labour hours remaining to produce Excelsior order = 6,000

Production for Excelsior	1st	2nd	3rd	
	A	B	C	
Units	2,000	666	0	
Hours	4,000	1,998	0	5,998
				29,998

Contribution from prioritising the BB order:

Contribution	A	B	C	Total
	\$	\$	\$	\$
BB	24,000	27,000	18,000	69,000
Excelsior	16,000	5,994	–	21,994
Total	<u>40,000</u>	<u>32,994</u>	<u>18,000</u>	<u>90,994</u>

Non-financial considerations:

We must carefully manage our relationship with BB as the second largest supermarket chain in Northland. We have a strong and established relationship which we could build upon by selling this new luxury range. The main advantage of prioritising the order with BB is that it would be an excellent opportunity for us to use our proprietary brand name to enter the luxury chocolate market, which we cannot exploit with the Excelsior order.

BB forecasts it could sell these products in more of its supermarkets after the initial three months trial and therefore presents us with an opportunity to develop these products into the longer term, thus achieving our strategic aim. However, future sales would be dependent on improving our availability of skilled labour, which will need further investment if we are to be able to commit to future orders with BB. It is likely to require a significant number of dedicated staff and more supervision. Investment in training and equipment will also be necessary. Further analysis and discussions with BB would need to be undertaken regarding the long-term viability of the contract, but if acceptable, then this investment would be considered appropriate.

(ii) Recommendation

Based on both the financial and non-financial considerations, despite the lower contribution earned by the BB order, it is recommended that we prioritise our order with BB. We have a long-standing business relationship with BB and they have offered us the potential to sell Dulce's branded luxury chocolates. In purely financial terms, this option is not as preferable as the Excelsior order but the risks of working with Excelsior are much higher, as a new retail partner with no absolute guarantee of future orders beyond three months. In addition, the loss of Dulce's 'brand' association with these new products is not acceptable and would not contribute to the achievement of our strategic aims.

2 (a) (i) and (ii) Briefing table

Risk	Risk assessment	Proposed mitigating activities
Competitive marketplace	<p>Failure to anticipate/react to changes in consumer trends or a failure to invest in our business growth and development in relation to our competitors is likely to reduce demand for our products, resulting in loss of competitive advantage, reduced market share and reduced sales.</p> <p>Failure to invest in maintaining our competitive position may harm the image of our brand, as our competitive position depends on our continued ability to offer products which appeal to customers and which are readily available in the places they are demanded by customers.</p> <p>If we are not able to satisfy customer needs effectively and/or react to what our competitors are doing, this will threaten our sustainability in the market place as our competitors may respond more effectively than ourselves. There is likely to be a high risk to the achievement of our strategic aims of growing and developing our products/markets and developing and maintaining strong customer relationships.</p>	<p>Dulce must continue to focus on identifying and developing new product ideas. For example, our proposal to develop luxury hand-made chocolate products is offering our customers a greater range of products to maintain our competitive position.</p> <p>Developing our staff skills in hand-made chocolate products will help us build on performance excellence which should assist in building effective customer relationships and maintenance of our competitive position and brand image.</p> <p>Our multi-channel sales network is a means by which we aim to satisfy consumers' needs, whilst also mitigating the overall risk to the business from a downturn in any specific sales channel.</p> <p>Working with new retail partners widens our opportunities to increase our sales network and remain competitive in our operational activities.</p>
Key input prices are driven by commodity markets	<p>Significant adverse changes in certain commodity prices (particularly cocoa supplies) could affect Dulce's profitability and therefore on our ability to offer a wide range of products due to a reduction in our investment in product development. High commodity prices may result in us having to reduce our range of products which would impact on our ability to meet our strategic aim of developing the widest range of products for our customers.</p> <p>This may impact on us achieving our strategic aim of maintaining and developing customer relationships, as we may lose customers if we reduce our product range.</p>	<p>Dulce must continue to buy its key inputs forward and work with suppliers to choose the optimal time and quantity for purchases of cocoa supplies. This policy provides a stable cost base for us to make optimum trading and pricing decisions.</p> <p>By hedging, it may mean that, on occasion, we pay more for our key ingredients than the prevailing market rate, but this will protect the consumer from potentially widely fluctuating prices and protects us from potential losses and the loss of trust of our customers.</p>
Our products must have the highest integrity	<p>Product contamination, caused by unclean production processes or defective raw materials, or unethical sourcing of materials could severely damage our reputation. If our integrity is called into question by our customers, then this would severely impact on our ability to develop and maintain customer relationships, as it would challenge the effectiveness of our leadership, operations and supplier management.</p> <p>It would also impact on our ability to develop new markets, as it would be far more difficult to attract new customers if they question our systems and the quality and integrity of our products.</p>	<p>We must ensure that we maintain rigorous security systems throughout our supply chain to guard against poor quality/defective supplies.</p> <p>In the unlikely event that these policies and systems fail, we must implement a robust process for product recall and consumer communication, in addition to comprehensive insurance cover.</p> <p>Being open and honest with our customers will be critical in order to maintain strong customer relationships and trust in our product, therefore regular communication is vital.</p> <p>We must maintain strong relationships with suppliers to ensure that ethical sourcing from cocoa farms is being adhered to. This may mean that we will need to take more control of the supplier audit process ourselves. We need to audit all cocoa farms at least once per year.</p>

Risk
We depend on the skills, enthusiasm and wellbeing of our people

Risk assessment

Poor staff management or lack of skills in our whole team could result in the loss of our competitive advantage or the loss of staff to competitors. Any loss of staff will inevitably result in the loss of skills from our business, which will impact on our ability to achieve performance excellence and thus achieve our aim to develop and maintain strong customer relationships.

Without adequately motivated and skilled staff, we are also unlikely to develop the products our customers demand and thus will not achieve our other strategic aim of product development.

We rely heavily on the loyalty and commitment of our staff at all levels of the business and any loss of key staff, particularly in our leadership team, will inevitably impact on our competitive position and our ability to deliver performance excellence.

Proposed mitigating activities

Management must continually evaluate the balance of skills, knowledge and experience within the team when considering the role and capabilities required for a particular position.

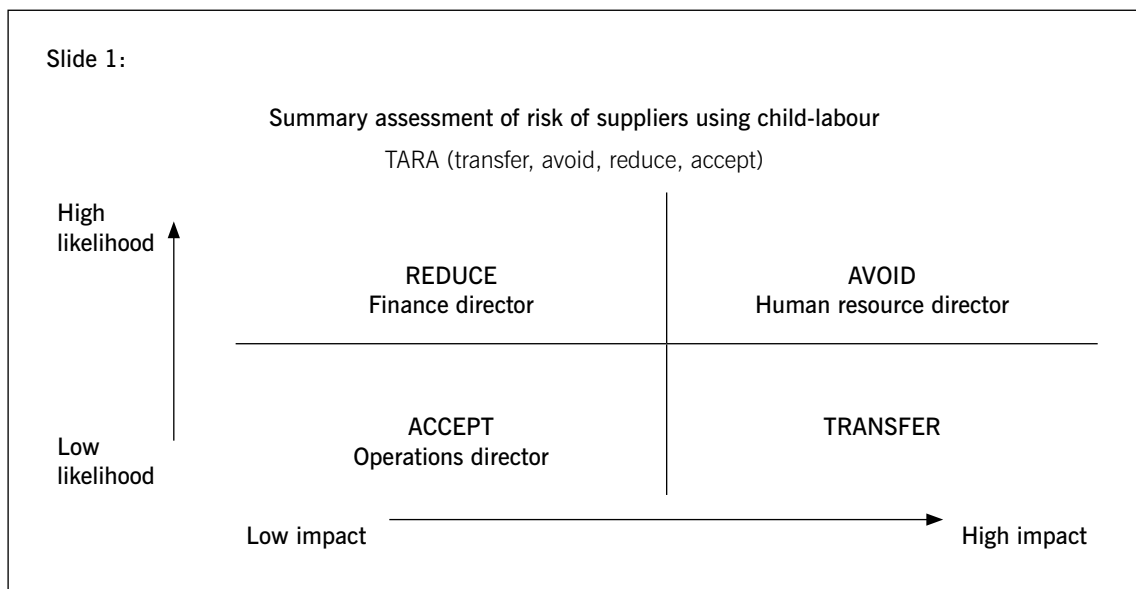
Staff must be kept informed of internal and external developments through regular communications.

Strong staff appraisal systems and a focus on staff development will help to create loyalty and commitment of our staff.

Regular training and skills development should build on performance excellence, help us to be innovative in product development and maintain the loyalty and commitment of staff.

Strong recruitment processes, formalised succession planning and on-going individual training and development plans will mitigate the risk of the loss of key staff.

(b) (i)



A common framework for evaluating response to risk is to use the TARA approach. This considers risk in relation to how likely is the risk of occurring, and the extent of its impact on us, should it occur.

The human resource director’s recommendation fits with the high impact/high likelihood approach. The impact is high, particularly on our reputation and on the lives of those being exploited and the likelihood is also high. It is stated in the article that this is a widespread practice in the industry and therefore it is highly likely that some of the cocoa farmers who supply us do use child-labour. Therefore, the risk response advocated by the human resource director is to AVOID this risk, by finding alternative cocoa suppliers.

The operations director’s recommendation fits with low impact/low likelihood approach, in that he believes that the impact of this risk is low as most customers are unaware of child-labour practices. Therefore, the risk response his argument most closely follows is to ACCEPT this risk and take no action.

The finance director’s recommendation fits with the low impact/high likelihood approach, in that the risk is likely to be of low impact in the context of the industry-wide use of child-labour by cocoa farmers and the lack of awareness of its customers, but the likelihood is high, given the high number of cocoa farmers we use in Geeland and Rodia. Therefore, the risk response would be to REDUCE this risk, through improved control activities.

(ii)

Slide 2:

Consideration of risk responses

HR DIRECTOR

AVOID

- Unlikely high impact
- Impractical
- High costs
- Will not address the issue

OPERATIONS DIRECTOR

ACCEPT

Notes:

HR director

AVOID

To avoid the issue of child-labour is not the most suitable solution for Dulce. The newspaper article indicates the scale of the issue in the whole industry and, therefore, identifying and using cocoa farmers who do not use child-labour may be impractical, taking into account the large number of cocoa supplies we need. There are advantages, in that it may attract a new range of customers who only buy products from guaranteed ethical sources but it is unlikely that these gains will off-set the cost of sourcing new cocoa farmers and the potential loss of customers due to likely price increases of our products.

The impact of this issue is not considered to be high, as most customers are not aware of these labour practices and are unlikely to change their buying behaviour if they did. As chocolate is a low value product for consumers, this issue is unlikely to be a major factor in the purchasing decision of most customers.

Overall, it would be better to remain working with these cocoa farmers to put in place controls to ensure child-labour practices are monitored and assistance is given to provide education and support to both farmers and the children working on these farms. Therefore, the suggestion by the human resource director may not be the best solution to the risk.

Operations director

ACCEPT

Although the use of child-labour in cocoa farming is common practice, that does not mean that we should merely accept it and not attempt to improve the situation.

Although the risk of child-labour which would be used by our cocoa farmers is likely to be of low impact on our overall business, from the evidence in the news article, it is likely to be of high likelihood and therefore the assertion by the operations director may not be justified. Evidence suggested in the article indicates that the majority of the cocoa farms located in the two cocoa growing countries do use child-labour. Therefore, it would seem highly likely that some, if not a significant number of the cocoa farmers supplying our key suppliers, do use child-labour.

Obviously, doing nothing will cost nothing and it means no change in what we do. However, it goes directly against our stated beliefs as an organisation, as evidenced in the ethical sourcing statement of our annual report. We also run the risk that ethical consumers in Northland will seek alternative chocolate suppliers. Our strategic aim is to develop and maintain strong customer relationships and this approach would likely go against this aim.

We have clearly stated in our beliefs that we promote responsible labour practices. This must include the use of child-labour, therefore to merely accept this and not attempt to address this use with positive actions to assist cocoa farmers and the children they employ would be against our ethical beliefs.

(iii)

Slide 3:

FINANCE DIRECTOR

REDUCE

- Unlikely to be eliminated but can:
 - o Reduce child-labour
 - o Invest
- Improve reputation
- Increase costs

CONTROL ACTIONS:

1. Annual audit
2. Review payment rates
3. Investment

Notes:

This is likely to be the most realistic option, given that the impact of the risk for our business is probably quite low, but the likelihood of the use of child-labour by cocoa farmers is high. We should consider how we can reduce the levels of child-labour used by cocoa farmers and try to work with these farmers to improve the working and living conditions of child-labourers. As an organisation which believes strongly in its ethical stance, we must take positive action where possible by paying fair prices and providing a premium to invest in local communities.

Importantly, this should have positive benefits for the farmers and the people they employ. For us as a business, it should improve our reputation in the industry and thereby attract more customers. However, we will also have to consider the costs involved, as if we decide to increase our rate of pay to cocoa farmers to reduce the need for child-labour, then this may impact on our customers, through pricing, and our overall profitability.

Control actions:

1. Undertake regular audits. We must play a more active role in the audit process of the cocoa farmers to ensure that we are satisfied with the labour practices being used. We must also cease using any supplies from cocoa farmers who do not adhere to the standards which we set.
2. We should regularly review the rates we pay for our cocoa supplies to ensure that this is fair and is not forcing the exploitation of child-labour. We must monitor industry standards and national wage rates in the countries where our cocoa farmers are located and ensure that we set a fair rate above the poverty line.
3. We should invest in and support international initiatives for training of farm owners and workers in the issues around using child-labour.

Note: Only TWO control activities are required and only two will attract marks.

3 Briefing notes

The criteria used to assess performance

The term 'performance excellence' refers to an integrated approach to organisational performance management which results in:

- delivery of increasing value to customers and stakeholders
- improvement of overall organisational effectiveness
- organisational and personal learning

The Baldrige framework used by the directors during the brainstorming meeting is a holistic approach which sees the organisation as a group of linked processes with each criterion linked to the others.

Evaluation of Dulce's processes

1. Leadership

This area considers our senior leaders' responsibilities, with the aim of creating an organisation which is successful now and in the future. Senior leaders play a central role in communicating and setting values and directions for all stakeholders and creating an organisational focus on action.

We identified in the brainstorming session that Dulce has a strong leadership team but we also need to assess how our senior team leads the organisation and develops plans for the future. An example to support our effective leadership is that the board regularly reviews our mission and aims, which is a key process of effective leadership.

A further key question to ask in relation to our leadership processes is how is Dulce governed and how do we manage our relationships with the wider society? Although in the brainstorming session we identified that we have 'strong governance procedures', in that we follow our government's corporate governance guidelines, we need to analyse this further to understand whether our current governance processes are effective and how effectively we interact with the wider society.

We clearly have processes in place to engage effectively with our customers but we also need to consider other processes which may allow us to engage with all stakeholders, in particular our investors and suppliers. More effective interaction with the wider community may bring positive attention in the wider society and present us with more opportunities to attract new customers.

2. Strategy

This category considers how we develop strategic objectives and action plans, implement them, change them if circumstances require, and measure progress. This category stresses that our organisation's long-term organisational success and competitive environment are key strategic issues which need to be integral parts of overall planning.

This area was not considered as part of our brainstorming session and therefore is an area which requires attention. While we clearly review our vision and mission and undertake strategic planning, how we execute these plans effectively needs to be considered. Given the nature of our market place, as identified in the risk register, our market demands us to be agile and prepared for unexpected change, including volatile economic conditions or changing customer tastes which could impact on our marketplace.

3. Customers

This category requires us to consider how we engage customers for long-term marketplace success, and stresses customer engagement as an important outcome of an overall learning and performance excellence strategy. For Dulce, the voice of the customer will provide meaningful information not only on our customers' views but also on their behaviours and on how these contribute to our current and future success in the industry. Therefore, we need to ask how do we obtain information from customers and how do we engage with customers and build long-term relationships with them?

In the recent brainstorming session, we identified a number of processes which we carry out in relation to our customers, including sending out regular email and promotional offers to customers in order to stimulate interest and loyalty which should assist us in understanding their views and maintain a relationship with customers. Customer surveys are a useful way of engaging with customers to assess and respond to their needs. We also identified training our staff in customer engagement which is likely to be an important process in developing and maintaining customer loyalty and retention and building relationships with our customers.

4. Measurement, analysis and knowledge management

This category is the main point within the criteria for all key information on effectively measuring, analysing, and improving performance and managing organisational knowledge to drive improvement, innovation, and organisational competitiveness. Key to this use of data and information are their quality and availability.

In our brainstorming session, we identified our performance measurement activities relating to key financial, shareholder and customer performance measurement. Importantly, we must consider how useful this information is to us and how we can use it to drive improvement and innovation. We also identified our use of big data analytics which should be a key driver in analysing and understanding key performance information and using this for our competitive advantage (particularly in relation to customer activity and preferences).

5. Workforce

This category addresses key workforce practices. This includes those directed toward creating and maintaining a high-performance environment and those directed toward engaging our staff to enable them and the organisation to adapt to change and succeed.

One of the key questions to evaluate our staff processes is how do we build an effective and supportive workplace? From the brainstorming session, we identified the process of undertaking regular staff training and skills updates, which should help our staff to remain loyal and motivated, which in turn should impact on the quality and innovation of our products.

A second question to consider is how do we engage with staff to achieve a high-performance work environment? From the brainstorming session, we identified the use of annual appraisals and staff surveys which should assist in making staff feel engaged. However, we would need to assess this further by asking staff how far they believe that these performance appraisal and staff surveys assist in their overall engagement in the business. Staff surveys will only assist in achieving performance excellence if staff feel engaged and committed to the process and believe that their opinions are valued and acted on by senior leadership.

Engaged and committed staff throughout our business, from senior management to shop assistants, will drive product innovation and customer engagement and loyalty, assisting in us achieving our strategic aims.

6. Operations

This category asks how do we focus on our organisation's work, product design and delivery, innovation, and operational effectiveness to achieve organisational success now and in the future. Key questions we must ask are how do we design, manage and improve our key products and work processes and how do we ensure effective management of our operations?

From our brainstorming session, we identified the investment we have made in the latest production processes, which should improve our operational effectiveness. Also, investment in e-commerce should assist us in developing and delivering our operations overseas and to new customers. We also identified our regular re-design of products which is a key criterion in our ability to be innovative, in order to continue to satisfy customer needs and build long-term relationships.

7. Results

This category provides a systems focus which encompasses all results necessary to sustain our organisation: our key processes and product results, our customer-focused results, our workforce results, our leadership and governance system results, and our overall financial and market performance. This is not something which we considered in our brainstorming session.

Therefore, we must now capture and measure the 'real-time' information (measures of progress) for evaluating, improving, and innovating processes and products, in alignment with our overall organisational strategy. Using all of the information we have gathered from understanding the importance of the processes we carry out in the previous six areas, we need to now focus on monitoring the outcomes of our operational performance which can then help us to predict our future performance and drive performance excellence throughout our business.

- 1 (a) Award up to 1 mark for each relevant point explained in relation to the proposed sales development strategies (up to a maximum of 6 marks for each sales development category).

Up to a maximum of 16 marks.

Key points

DULCE SHOPS

- Market penetration – increase share of the existing market using existing products.
- Primary sales channel to increase the penetration of products.
- Focus on creating better relationship with customers – customer service.
- Investment in refurbishment to encourage customers into shops.
- Investment in staff training and best location.
- Investment in improving customer experience, to engage better with customers and provide them with a wide range of high quality products.
- Closure of 20 shops (12%) an effective way of improving the customer perception.
- BUT – only close under-performing shops or those which do not enhance image.
- Help us achieve strategic aim, providing that products which customers demand are provided in the shops.
- Shops are possibly the best place to achieve strategic aim – customers experience for themselves the brand.

DULCE WEBSITE

- Ideal sales environment to offer new products ideas.
- Means of achieving product and market development.
- New products should not detract from confectionery sales – not impact on the quality image of Dulce.
- Could help achieve strategic aim if new products are demanded by the customers.
- Undertake research to establish whether customers are interested in new products through website.
- Website provides opportunity to develop the market, sell whole range of existing products to a wider range of customers (corporate clients and international customers).
- Large potential for international sales growth but dependent on developing suitable infrastructure to support international sales growth.
- Must manage website carefully, to ensure it complements overall brand image.
- International website sales allows us to develop our market reach further – allows opportunity to sell products to customers who are not able to purchase them elsewhere.

RETAIL PARTNERS

- Consolidation strategy with current retail partners – management of relationship with our supermarket customers.
- Strong growth in supermarket sales of 'own label' chocolate ranges in the last two years – consolidation will maintain strong working relationships.
- Opportunity for market penetration – sell more ranges of own label products to current retail partners over the next two years.
- Counteract the fall in sales which may arise from the closure of shops.
- Assist in achieving strategic aim.
- Producing a luxury hand-made chocolate range is also a potential product development strategy.
- Complement sales of other chocolates currently sold by retail partners. This should help to achieve our strategic aim.
- Luxury hand-made products sold as own label products – diversification strategy.
- Open up a new market but will require investment in staff development.

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
<p><i>Commercial acumen skills in showing clear awareness of the organisational and wider external factors which could contribute to the achievement of Dulce's strategic aim.</i></p>	<p><i>The candidate has not demonstrated commercial acumen. The candidate has failed to link their discussion of Dulce's sales development strategies to the achievement of its strategic aim. The candidate has failed to demonstrate any awareness of either the organisational factors or the wider external factors in Dulce's achievement of its strategic aims.</i></p>	<p><i>The candidate has demonstrated limited commercial acumen. Some attempt has been made to link the sales development strategies to the strategic aim. Some of the discussion of the product and market strategies demonstrated commercial awareness but the candidate has failed to appreciate a number of the organisational and external factors affecting the achievement of its strategic aims.</i></p>	<p><i>The candidate has demonstrated good commercial acumen. Most of the discussion recognises the link between the sales development strategies and its strategic aim. The candidate's answer has demonstrated good commercial awareness in recognising some of the external and organisational factors affecting the achievement of its strategic aims, for example, customer demand for its new products.</i></p>	<p><i>The candidate has demonstrated excellent commercial acumen. All of the candidate's discussion within all of the sales development strategies considered recognises the link between the product and market circumstances of Dulce with its strategic aim. The candidate's answer has demonstrated a very high level of judgement and commercial awareness of a wide range of external and organisational factors impacting on the achievement of Dulce's strategic aims.</i></p>
	0	1	2	4

- (b) (i)** 1 mark for each correct calculation (up to a maximum of 8 marks).
For each evaluation, award up to 4 marks for relevant supporting calculations.
1 mark for each non-financial issue identified, relevant to prioritising Excelsior order (up to a maximum of 4 marks).
1 mark for each non-financial issue identified, relevant to prioritising BB order (up to a maximum of 4 marks).
Up to a maximum of 12 marks in total.
- (ii)** Up to 2 marks for each point made and justified in relation to an overall recommendation (up to a maximum of 4 marks).

Key points

Prioritising the Excelsior order

Non-financial considerations:

- Achieve strategic aim of developing both products and markets, by selling hand-made product to a new customer.
- However, products sold under Excelsior's own brand name.
- Opportunity to develop a new market opportunity but will not assist in developing own reputation.
- Could prove to be highly lucrative in the future but further orders not yet agreed.
- Proposed order is very short term at only three months (only 6,000 boxes per month).
- Very labour and cost intensive – require 16,000 hours of labour per month for this order.
- Risk there may be no long-term benefit in relation to Excelsior. However, proposed strategic development opportunities are to produce a wider range of products through production of chocolates for other retailers, and therefore it is a possible opportunity.
- May have negative implications on relationship with BB Supermarkets.
- Have a long-term relationship with BB, an established customer.
- Must be careful not to allow a contract with Excelsior to damage this relationship.
- If this order optimised, BB will not receive its full order.
- If Dulce undertakes Excelsior order, it must maintain a strong relationship with BB.

Prioritising the BB Supermarkets order

Non-financial considerations:

- BB is second largest supermarket chain in Northland and an established relationship with Dulce which we could build upon through selling this new luxury product.
- The biggest advantage of prioritising the order with BB – great opportunity to enter luxury hand-made chocolate market with own label.
- Excellent opportunity to develop product range in the longer term and improve our brand image, achieving our strategic aim.
- Future sales dependent on improving availability of skilled labour – need investment.
- Likely to require significant number of staff and, in addition, more supervision and investment in training and equipment.

Recommendation

- Despite lower contribution earned by the BB order, it is recommended that order with BB is prioritised.
- A long-standing relationship with BB and presents Dulce with potential to sell own brand luxury chocolates.
- In purely financial terms, not as preferable as the Excelsior order but risks of working with Excelsior are much higher.
- Excelsior – new retail partner. No real guarantee of future orders beyond three months.
- Loss of own brand association with this new product is not acceptable and would not contribute to the achievement of our strategic aims.

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
<p><i>Communication skills in using compelling and logical arguments and clarifying the information presented to convey relevant information to the finance director.</i></p>	<p><i>The candidate has demonstrated poor skills in presenting a logical argument for either the Excelsior order or the BB order. The style and presentation of the candidate's argument would not be suitable for presentation to the finance director. There was no overall recommendation made, demonstrating poor communication skills.</i></p>	<p><i>The candidate has demonstrated some basic communication skills. The candidate has used an appropriate report format but the tone of the answer is not appropriate for presentation to the finance director. The candidate has demonstrated some evidence of presenting a logical argument in favour of either the Excelsior or BB order in parts of the report but most of it is not clear or logically presented.</i></p>	<p><i>The candidate has demonstrated good communication skills. The candidate has presented most of the relevant information required by the finance director. The arguments are mostly presented in a logical way and the candidate has used most of the relevant information needed to support their argument. The candidate has used an appropriate tone for the finance director.</i></p>	<p><i>The candidate has demonstrated excellent communication skills. The candidate has presented a clear, balanced and logical report, showing clearly the arguments for either optimising the Excelsior order and the BB order. The candidate has used an appropriate tone for the finance director and has presented a compelling and logical recommendation.</i></p>
	0	1	2	4

- 2 (a) (i)** Award up to 2 marks for **each** relevant point made and discussed in relation to the impact of each risk identified in the risk register on the achievement of the strategic aims (up to a maximum of 4 marks for each risk category identified).
Up to a maximum of 8 marks in total.
- (ii)** Award up to 2 marks for each mitigating activity identified and justified.
Up to a maximum of 8 marks in total.

Competitive marketplace

Risks

- Failure to anticipate/react to consumer trends/failure to invest in business growth and development likely to reduce demand.
- Resulting in loss of competitive advantage, reduced market share and reduced sales.
- Failure to invest in maintaining competitive position may harm Dulce brand.
- Competitive position depends on continued ability to offer products which appeal to customers and are available in places demanded.
- If not able to satisfy customer needs and/or react to competitors, this will threaten sustainability in the market place.
- High risk to the achievement of strategic aims.

Mitigating activities

- Focus on identifying and developing new product ideas.
- Develop staff skills in hand-made chocolate products to build on performance excellence – assist in building customer relationships and maintaining competitive position and brand image.
- Invest in multi-channel sales network to satisfy consumers’ needs, whilst mitigating the risk to the business from a downturn in any specific sales channel.
- Work with new retail partners and opening Dulce cafés widens opportunities to increase our sales network.

Key input prices are driven by commodity markets

Risks

- Adverse changes in commodity prices (particularly cocoa supplies) affects profitability and ability to offer a wide range of products.
- High commodity prices may result in reducing range of products.
- Impact on ability to meet our strategic aim of developing wide range of products.
- Impact on achieving strategic aim of maintaining and developing customer relationships – may lose customers if we reduce our product range.

Mitigating activities

- Continue to buy key inputs by forward contracts.
- Work with suppliers to choose optimal time/quantity for purchases of cocoa supplies.
- This policy provides a stable cost base.
- By hedging, may pay more for key ingredients than prevailing market rate, but will protect consumer from widely fluctuating prices and protects Dulce from potential losses.

Our products must have the highest integrity

Risks

- Product contamination could severely damage our reputation.
- If integrity is called into question – severely impact on ability to develop and maintain customer relationships.
- Challenge the effectiveness of our leadership, operations and supplier management.
- Impact on ability to develop new markets – difficult to attract new customers if question systems, quality and integrity of products.

Mitigating activities

- Maintain rigorous security systems throughout supply chain.
- If these fail, must implement a robust process for product recall and consumer communication and comprehensive insurance cover.
- Open and honest with customers to maintain strong customer relationships and trust – regular communication is vital.
- Maintain strong relationships with suppliers to ensure ethical sourcing from cocoa farms is being adhered to.
- May need to take more control of the supplier audit process ourselves.
- Audit all cocoa farms at least once per year.

We depend on the skills, enthusiasm and wellbeing of our people

Risks

- Poor staff management/lack of skills – result in loss of competitive advantage or loss of staff to competitors.
- Loss of staff will result in loss of skills from our business – impact on ability to achieve performance excellence.
- Without motivated and skilled staff – unlikely to develop products customers demand.
- Rely heavily on loyalty and commitment of staff – any loss of key staff impact on competitive position and ability to deliver performance excellence.

Mitigating activities

- Evaluate balance of skills, knowledge and experience within the team when considering the role and capabilities for a position.
- Keep staff informed of internal and external developments through regular communications.
- Strong staff appraisal systems and a focus on staff development.
- Regular training and skills development should build on performance excellence.
- Strong recruitment processes, formalised succession planning and on-going individual training and development plans.

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
<p><i>Analysis skills in considering the risks identified by Dulce.</i></p>	<p><i>The candidate has demonstrated poor or no analysis skills. The candidate has made points which are not supported by the available evidence and has not investigated how these risks link to the achievement of the strategic aims. The candidate has not used a suitable format to answer the question.</i></p>	<p><i>The candidate has demonstrated limited analysis skills. Some of the candidate's points arise from evidence identified from the case but the consideration of the impact on the strategic aims is often missing or unclear. The candidate has presented the answer in a reasonably clear format but has not investigated all of the risks adequately for the intended audience.</i></p>	<p><i>The candidate has demonstrated good analysis skills. Most of the candidate's points are based on evidence identified from the scenario and the candidate has made a reasonable attempt to consider the impact of the risks on the strategic aims. The candidate has presented the answer in a clear format and most of the risks are investigated adequately for the intended audience.</i></p>	<p><i>The candidate has demonstrated excellent analysis skills. All of the candidate's points are based on evidence identified from the scenario and throughout the answer there is a clear consideration of the impact on the strategic aims. The candidate has presented the answer in a logical structure and it is entirely suitable for its intended audience.</i></p>
	0	1	2	4

- (b) (i)** 1 mark for each correct application of the risk responses within the TARA framework (up to 3 marks).
1 mark for using the TARA framework (up to a maximum of 4 marks).
- (ii)** Award up to 2 marks for each point discussed in relation to consideration of the HR director's response (up to a maximum of 4 marks).
Award up to 2 marks for each point discussed in relation to consideration of the operations director's response (up to a maximum of 4 marks).
- (iii)** Award up to 2 marks for each point discussed in relation to consideration of the finance director's response (up to a maximum of 4 marks).
Up to 2 marks for each control activity recommended (up to a maximum of 4 marks).
Up to a maximum of 16 marks in total for 2b.
- (i)**
- Use of the TARA approach.
 - HR director response fits with the AVOID approach.
 - Impact is high, particularly on reputation and lives of those being exploited.
 - Likelihood is high. Widespread practice in the industry.
 - OD's recommendation fits with ACCEPT approach.
 - He believes impact is low as most customers are unaware of child-labour practices.
 - Therefore – take no action.
 - FD's approach fits with REDUCE approach.
 - Low impact in the context of the industry-wide use of child-labour by cocoa farmers and the lack of awareness of its customers.
 - Likelihood high, given high number of cocoa farmers used in Geeland and Rodia.
- (ii)**
- To avoid issue is not the most suitable solution for Dulce.
 - Identifying and using cocoa farmers who do not use child-labour impractical.
 - May attract new range of ethical customers but unlikely these gains will off-set cost of sourcing new cocoa farmers.
 - Impact not considered high, as most customers are not aware of these labour practices and unlikely to change their buying behaviour.
 - Unlikely to be a major factor in the purchasing decision of most customers.
 - Better to work with cocoa farmers to put in place controls to monitor and assist.
 - Although the use of child-labour in cocoa farming is common practice, does not mean that we should merely accept it and not attempt to improve the situation.
 - Child-labour likely to be low impact on overall business, but is high likelihood and therefore assertion by OD may not be justified.
 - Likely that some, if not a significant number, of cocoa farmers supplying key suppliers do use child-labour.
 - Doing nothing will cost nothing.
 - Directly against our stated beliefs as an organisation, as evidenced in the ethical sourcing statement of our annual report.
 - Strategic aim is to develop and maintain strong customer relationships – this approach likely go against this aim.
- (iii)**
- Most realistic option, given impact is probably quite low, but likelihood is high.
 - Need to consider how to reduce levels of child-labour used by cocoa farmers/try to work with farmers to improve conditions of child-labourers.
 - Must take positive action by paying fair prices and providing a premium to invest in local communities.
 - Should have positive benefits for the farmers and the people they employ.
 - Should improve Dulce's reputation in the industry and attract more customers.
 - Consider the costs involved – increasing our rate of pay to cocoa farmers may impact on our customers, through pricing, and our overall profitability.
- Control actions:**
- Undertake regular audits. Play active role in audit process of the cocoa farmers to ensure that we are satisfied with practices being used.
 - Cease using supplies from cocoa farmers who do not adhere to the standards set.
 - Regularly review rates we pay for cocoa supplies to ensure that this is fair and not forcing the exploitation of child-labour.
 - Monitor industry standards and national wage rates in the countries where our cocoa farmers are located and set a fair rate above poverty line.
 - We should invest in and support international initiatives for training of farm owners and workers in the issues around using child-labour.

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
<p><i>Scepticism skills in challenging the opinions of the board made in relation to the risk responses to the use of child-labour in Dulce's supply chain.</i></p>	<p><i>The candidate has failed to challenge the opinions presented by the board members to assess how realistic their proposed risk responses are for Dulce.</i></p>	<p><i>The candidate has made a weak attempt at challenging the opinions presented by the board members and by doing so did not adequately probe and question the opinions of the directors or the information presented in the sources given in the scenario.</i></p>	<p><i>The candidate has made a good attempt at challenging most of the opinions of the board members. They have also made some attempt to probe the sources of information presented in the scenario but this was not presented in the most professional manner.</i></p>	<p><i>The candidate has made an excellent attempt at challenging the opinions presented by all of the board members identified in the question. They have probed and questioned all of the key sources of information in the scenario and have used this to justify, in a professional manner, their challenge to the opinions presented.</i></p>
	0	1	2	4

- 3** Up to 2 marks for each point from the brainstorming summary discussed and applied correctly to the Baldrige framework (up to a maximum of 16 marks).

If the candidate has NOT used the Baldrige model but has adequately discussed performance excellence in Dulce, using the brainstorming information, then award up to the maximum marks available. However, answers must be centred on performance excellence.

Up to a maximum of 16 marks.

Leadership

- Considers senior leaders' responsibilities – senior leaders play central role in communicating/setting values, direction and creating organisational focus on action.
- Dulce has strong leadership team but need to assess how senior team leads organisation and develops plans for the future.
- Board regularly reviews mission and aims, which is key process of effective leadership.
- Brainstorming session identified 'strong governance procedures', but must analyse this further to understand effectiveness of governance processes.
- Need to consider processes to engage with all stakeholders, in particular our investors and suppliers.
- More effective interaction with the wider community.

Strategy

- Considers how to develop strategic objectives and action plans, implement them, change them and measure progress.
- Stresses that organisation's long-term organisational success and competitive environment are key strategic issues and integral parts of overall planning.
- This area was **not** considered in brainstorming session and therefore an area which requires attention.
- How we execute our plans effectively needs to be considered.
- Market demands for Dulce to be agile and prepared for unexpected change, including volatile economic conditions or changing customer tastes.

Customers

- Consider how to engage customers for long-term marketplace success.
- Customer engagement as an important outcome of an overall learning and performance excellence strategy.
- How do we obtain information from customers and how do we engage with customers and build long-term relationships with them?
- In the brainstorming session, identified a number of processes in relation to customers, including regular email and promotional offers.
- Customer surveys useful in engaging with customers to assess/respond to needs.
- Training staff in customer engagement – developing/maintaining customer loyalty and retention and building relationships.

Measurement, analysis and knowledge management

- Measuring, analysing, and improving performance and managing organisational knowledge to drive improvement, innovation, and organisational competitiveness.
- Key to this use of data and information are their quality and availability.
- In brainstorming session, identified performance measurement activities relating to key financial, shareholder and customer performance measurement.
- Consider how useful this information is how to use it to drive improvement and innovation.
- Big data analytics a key driver in analysing and understanding key performance information.

Workforce

- Considers key workforce practices.
- Creating and maintaining high-performance environment directed toward engaging staff.
- How do we build an effective and supportive workplace?
- From brainstorming session, Dulce undertake regular staff training and skills updates.
- How do we engage with staff to achieve a high-performance work environment?
- From the brainstorming session, identified use of annual appraisals and staff surveys to assist staff engagement.
- Need to assess this by asking staff how far they believe these assist in overall engagement.
- Only assist if staff feel engaged and committed to the process and believe opinions are valued and acted on.
- Engaged and committed staff throughout business drive product innovation and customer engagement and loyalty.

Operations

- Considers how we focus on our organisation's work, product design and delivery, innovation, and operational effectiveness to achieve organisational success.
- How do we design, manage and improve key products and work processes?
- How do we ensure effective management of our operations?
- From brainstorming session identified investment made in the latest production processes, which should improve our operational effectiveness.
- Investment in e-commerce should assist in developing and delivering operations overseas and to new customers.
- Regular re-design of products key criterion in ability to be innovative, in order to continue to satisfy customer needs and build long-term relationships.

Results

- Considers a systems-focus which encompasses all results necessary to sustain organisation.
- Key processes and product results, customer-focused results, workforce results, leadership and governance system results, and overall financial and market performance.
- Not considered in our brainstorming session.

- Must now capture and measure 'real-time' information (measures of progress) for evaluating, improving, and innovating processes and products.
- Need to focus on monitoring the outcomes of operational performance which can help to predict future performance and drive performance excellence.

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
<i>Evaluation skills in using professional judgement to appraise objectively the findings and opinions of the directors.</i>	<i>The candidate has failed to demonstrate evaluation skills. The candidate has not effectively appraised the information presented and has merely listed information already given or has presented a purely theoretical answer with no evaluation demonstrated. The candidate has demonstrated poor professional judgement by failing to use an appropriate framework to structure their answer.</i>	<i>The candidate has demonstrated weak evaluation skills. The candidate has shown limited professional judgement in appraising the information provided but has used an appropriate framework. However, the candidate has not used the framework appropriately to evaluate the findings of the board members in the most effective way. They have demonstrated weak judgement of the findings of the board members in relation to performance excellence.</i>	<i>The candidate has demonstrated good evaluation skills. The candidate has shown good professional judgement in selecting and applying a suitable framework to evaluate the findings of the board members. The candidate has made some reasonable assertions in their appraisal of the findings and has demonstrated in a number of areas effective judgement of the findings of the board members in relation to performance excellence.</i>	<i>The candidate has demonstrated excellent evaluation skills. The candidate has shown excellent professional judgement in selecting and applying effectively a suitable framework to evaluate the findings of the board members. The candidate has made sound and very well justified assertions and has demonstrated clear and objective judgement of the findings of the board members in relation to performance excellence.</i>
	0	1	2	4