
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) Briefing notes on risks to contracts

These notes deal with the main risks which may affect Techthere4U Co (TT4U) winning and retaining contracts.

Strategic

The fundamental strategic risk is failure to fulfil clients' evolving demands, resulting ultimately in loss of contracts and decline in revenues. Aspects of this risk include lack of awareness of what clients want. There may also be a lack of resources to respond to client demands for new services or better provision of existing services. There is possibly a lack of high-level awareness of recent developments, as there have been no recent appointees from the IT industry to the board.

The risk is also related to competitor actions, of competitors providing new services first or having a business model which provides better awareness of client demands and standards of client care. TT4U has traditionally not differentiated itself from competitors by offering new services first, but early development of new services may be a critical factor in winning new work. The results of the survey suggest that some clients believe that there is a lack of commitment to innovation.

Operational

In the client survey, responsiveness to clients, internal knowledge, communication and flexibility are all criticised. Methods of communication with clients seem old-fashioned and the website is criticised for being poorly designed. If operations are poor, these may be hygiene factors which influence clients' contract renewal decisions.

An important selling point of cloud-based services which TT4U plans to offer is flexibility and ease of use. If the cloud is difficult to access in many places or there are frequent interruptions of service, TT4U will not be providing perhaps the most important deliverable.

Key person

Key person risk particularly applies to the founder executive directors, given their central place in TT4U throughout its history and the contacts they have built up. The departure of any of them could be seen as indicating that TT4U is undergoing a period of instability. Other staff may have particular close relations with some clients or expertise which may adversely impact TT4U if it was lost, particularly if they joined competitors.

Competition

TT4U may be less visible than other firms. Competitors may be attracting more business by better use of online tools such as search optimisation or better generation of publicity about the services which they are offering. The comments in the survey suggest that clients find TT4U's website poor and believe the company is not making enough use of other media.

Data

All the data management services provided by TT4U, not just those on the cloud, generate risks of loss to their clients. These include the risks of loss or corruption of data, whether due to accident or deliberate action by hackers. There is also the risk of confidential data being accessed by unauthorised users, and publicised or used for illicit advantage.

Reputation

Bad publicity about the services TT4U offers or the public loss of important clients can affect reputation. It may be particularly serious if TT4U is associated with a major problem, for example, a leakage of confidential data. Reputation risk can also relate to criticisms that TT4U is generally not providing a good service. The article highlights important features of service and the client survey indicates TT4U has problems in some of these areas. If these problems are publicised online by users, this can erode confidence in what TT4U offers.

(b) Extract from report on the two proposed strategic options

Introduction

This section considers the two proposed strategic options put forward by the services and information technology directors.

Internet-of-things development

Advantages of strategy

Developing services in relation to the Internet-of-things has been highlighted by the recent article as a potential means of rapid growth through market development, fulfilling the desire of investors for the company to expand. Finding a niche and being able to innovate in it could enhance TT4U's wider reputation.

Some of the problems in relation to Internet-of-things development appear to be an over-concentration on technology rather than business requirements. Matching business needs with available business technology has been a core competence for TT4U in the past. Adoption of the Mieobed approach with its focus on enhanced understanding of clients' requirements to help them transform their business would seem compatible with this new development.

Concerns with strategy

However, commitment to particular markets may be risky for TT4U. It has traditionally had a diversified client base, and commitment to particular sectors may require significant investment without necessarily guaranteeing success. If, for example, TT4U wants to provide data hosting services in connection with the data generated by the Internet-of-things, it may need enhanced capacity to process and store the data. If TT4U is to be an early mover, there may be problems with the reliability of the technology.

Whatever the sector chosen, TT4U may need to recruit staff with previous experience in work connected with the Internet-of-things. This may be costly, but may bring to TT4U valuable new expertise at a time when TT4U is looking generally to develop staff expertise by sharing knowledge and experience.

There could be problems with selling services to existing clients. The technology may be of limited application to TT4U's current client base. They may lack the system capabilities to develop effectively and problems could damage TT4U's standing with them.

Risks relating to security and also privacy have also been highlighted. Depending on which services TT4U offers, it may be more vulnerable to security breaches and also breaches of privacy regulations than for other services. These may result in legal penalties and significant threats to reputation.

Government sector development

Advantages of strategy

The policy of seeking more contracts in the government sector represents a form of market development if contracts are to be obtained from more bodies. Seeking more contracts systematically would represent a more coherent strategy in this area as contracts won previously appear to have been on a one-off basis. Winning more contracts can lead to 'success breeding success' with the target of becoming a preferred supplier to the government sector.

Many opportunities appear likely to become available soon in the government sector. Having been successful at fulfilling smaller contracts for this sector, TT4U seems well-placed to seek larger contracts as it expands.

The contracts available will represent a cash stream which should be guaranteed for a number of years. This can be set off against shorter-term private sector work which may be more vulnerable to economic downturn. Some of the contracts will be high profile, so winning them can provide good publicity for TT4U.

Concerns with strategy

Possible issues with the work include profitability. Whatever the exact priorities, government sector work will be concerned with the 3Es – economy, efficiency and effectiveness. Because of the desire to meet economy targets, the margins available on the work may be lower than on commercial contracts. Serving the government sector effectively may also require investment in staff who possess knowledge of the sector being served, for example, education.

As noted above, public sector work is high profile. If there are major problems with contracts and these are publicised and blamed on TT4U, the company's reputation could suffer seriously.

The argument that needing to provide innovative services will be less of an issue in the government sector may have some substance. However, one of the key aspects of the Mieobed approach is encouraging clients to unlock value (for themselves and TT4U) in new fields of business development. The public sector may offer limited opportunities for that approach.

Operating the Mieobed stakeholder approach may be more complex in the government sector because of the different stakeholders with differing objectives. The priorities of the government officials with whom TT4U deals may change if there is a change of government and new conditions may be imposed.

Governments may use a number of strict indicators relating to value for money which TT4U has to fulfil. It may mean a greater demand for resources and opportunity costs in taking staff away from other work. Fulfilling government requirements will mean that TT4U has to address quickly some of the service issues identified in the client survey.

Conclusion

If the proposals are not mutually exclusive, TT4U may consider investing in both of them. They represent different types of development, so improving diversification, and have different risk-return profiles. Investing in the Internet-of-things is high risk but could generate high earnings. Investment in public sector work could provide steady cash flows to help fund investment in other areas.

(c) Email

To: Chief executive
From: Consultant
Date: 1 March 20X0
Subject: Response to threat to reveal information

Dear CEO

You asked me as someone outside the company to give my views on the controls which are significant in relation to threats to data and also the comments made by the directors about the threat to reveal confidential information.

Control issues

You rightly believe that TT4U cannot just say it has complete confidence in its controls and not give the issue further consideration. TT4U has a fiduciary duty to take sufficient care to ensure confidential data remains secret. In addition, clients are very sensitive about the growing threat of cybercrime, indeed TT4U advises them on how to combat it. If it became public that TT4U had been the victim of cybercrime through poor data protection practices, the loss of credibility for TT4U would potentially represent a big risk to income from existing and new services.

I have no reason to doubt what the director says about the procedures already being in place. Given that TT4U is advising clients on implementation of these procedures, it would be worrying if TT4U did not have them in place itself. However, you are right that there is a distinction between having the controls in place and the controls operating effectively. It is possible that lack of care or complacency may undermine the operation of important controls.

Even though TT4U has a system of access controls in place, this may be undermined by staff being careless with their password security. More regular changing of passwords may reduce this threat. TT4U should also review who has access to which parts of the system and restrict permissions for staff so that they have the minimum of access rights which they require to carry out their work. Access rights to the system must also be immediately terminated as soon as someone leaves TT4U.

Regular reminders to staff can help reduce complacency. This may particularly apply to having effective procedures to protect laptops taken away from the office. These should have the same level of protection as devices kept in-house, including having anti-hacking protection as well as anti-virus software. They must be updated at the same time as in-house computers. Staff should also be told to avoid poor data security practices, for example, forbidding them to copy sensitive data onto memory sticks.

As regards detection of someone obtaining information illicitly, you should start by looking at past and present staff who were able to access this data and considering whether there are any unusual or suspicious factors in relation to them. I assume the system logs failed attempts to log on, and this must be regularly reviewed in case any patterns appear to be emerging. You need also to ensure you understand what represents 'normal' use of the system, which acts as a yardstick to use to detect unusual patterns of use, for example, copying of large amounts of data.

Threat to reveal confidential information

Even if you have complete confidence in the control system, the threat cannot be brushed off, as the person contacting you has clearly illicitly obtained specific information and may be threatening other companies. You should consider contacting the authorities as they may be able to link the threats in with other cases. The authorities may insist on the client being informed. You should not pay the sum demanded, as this is unethical and could lead to further threats.

There is a risk that Rex Investments' confidence in TT4U may be undermined if it is told about this threat. I appreciate concerns have been raised about client relations and it is quite possible that the client will ask for additional assurance on the controls which you operate.

However, the risks relating to not telling Rex Investments are greater. Disclosure of the information from other sources may permanently damage the relationship and may provide Rex Investments with a reason to terminate the contract. Bad publicity relating to this disclosure may mean other clients do not wish to use the data services you provide. It is likely to threaten the success of the investment in the cloud-based services. More fundamentally, one aspect of the Mieobed approach which you are planning to introduce is data security.

Following the ethical principles of honesty and transparency would also suggest informing the client of a threat to its data. Again, I refer to Mieobed, which is underpinned by the process of open communication with clients. Failing to tell the client about this threat would suggest that TT4U is not taking the Mieobed approach seriously.

Lastly, it is possible that the person making the threats did not obtain the information from your systems but from Rex Investments. A further ethical reason for informing Rex Investments is that it may help in detecting who is making the threat and perhaps also highlight to the client shortcomings in their own procedures for keeping information confidential.

Please contact me if you want to discuss these issues further.

Regards

Stubfield

2 (a) Extract from report on summary of investment appraisal of new cloud-based services

Introduction

This section examines the issues connected with the summary which has been prepared and recommends improvements and areas where further detail is required.

Net present value calculation

Sales

Having a single sales revenue figure, even if this is a summary, is quite inadequate and the comment about the drivers of sale increases is unhelpful. There is no justification for the varying % of sales increases; splitting the figure down by the services offered, at a minimum distinguishing the revenue from the provision of private cloud services from cloud integration services, will give a better picture of how increasing the services offered may lead to revenue increases over time. The assumption about increased client base needs to be linked to how new services are to be marketed, and how much the focus will be on winning new clients as opposed to selling additional services to current clients. TT4U is operating in a very competitive market for cloud services, so any assumptions about being able to increase prices are doubtful.

Contribution

If different services are provided, contribution may vary on them. A figure chosen may do as a broad estimate, if it is the sort of margin which TT4U has been generating recently. However, there is no detail about variable costs. These may change over time as the service offered becomes more mature and the cost per client of providing each service falls.

Other costs

The marketing costs will depend on when new services are introduced. If they are introduced gradually over the three-year period, the estimates may be reasonable. However, if most of the services are being introduced soon, marketing is likely to peak in year 1. The fixed costs figure appears to be a general estimate. No justification is given as to why the figure is unchanged over time. In addition, the figure is sufficiently large to need breaking down into different elements and clarifying the assumptions for each element.

Tax and working capital

Using the current tax rate is a reasonable assumption if it is not expected to change much in the next few years. However, the figure does not take account of any allowances which may be available on the investment expenditure. It would also be likely that the investment would require some working capital and this needs to be brought into the calculation.

Investment

If services are likely to be developed over the next few years, then a single immediate figure for investment at the start will not be realistic. The realisable value given at year 4 lacks justification. It is difficult to see what would be realised and whether it would have any value, given the fast-changing nature of the industry.

If the net present value figure is extended to year 10, the realisable value should be excluded from the calculation as the investment is not finishing at year 4. Taking the post-tax cash flow at year 4 and using a multiple of 6 as the basis for years 5–10 has not been justified. The figure used should be discounted at the relevant discount factor for each year, not the discount factor for year 4. It is ultimately, however, questionable whether the investment should be extended to 10 years, as this seems a long period for an investment in fast-changing IT.

Discount rate

The discount rate used is incorrect. The weighted average cost of capital should be used if business and financial risk remain at the same levels. This is likely to be higher than the cost of debt, since equity has a higher cost than debt, meaning the net present value will be smaller. If either risk changes significantly, a project-specific cost of capital should be used.

Payback period calculation

The approach taken to calculate the payback period is correct, although the figures may not be reliable due to the concerns raised above. Net present value is theoretically the best method to determine whether an investment should be undertaken. However, payback can be used as an initial indication if directors are uncertain about the timeframe over which the investment will be profitable and want to ensure it is recouped quickly. The investment is only marginally outside the payback period and the uncertainties connected with the figures suggest the investment should not necessarily be rejected because it fails to meet the payback criterion.

Sensitivity analysis

The summary is incorrect in saying that sensitivity analysis will show the probability of making a loss. It will just show the amount by which figures need to change for the investment to make a loss. Sensitivity analysis also treats individual figures as independent variables, whereas there may be connections between them (for example, between revenue and marketing expenditure) or the same factors may affect more than one variable (for example, competitor response affecting income from more than one service). Scenario analysis, showing results under different optimistic/pessimistic outcomes, is likely to be more valuable.

Conclusion

The project's failure to meet the payback target period should not by itself lead to the project being rejected. The decision should be primarily based on a revised NPV calculation using the correct cost of capital and re-considering the assumptions. If the revised NPV calculation shows a positive present value for years 1–4 only, the board should consider accepting the project.

(b) Briefing notes for board meeting

E-marketing cloud-computing services

The purpose of these notes is to discuss ways in which e-marketing can be used to promote the new services. The notes will be a combination of new ideas and methods which TT4U is already using, but should review and may need to enhance. The notes also show how the methods should be used within a framework of attracting and retaining clients.

(i) Attracting clients

Reaching potential clients

TT4U may look at whether its search engine positioning needs to be improved. Possibly the launch of new services is the time to make use or more use of methods such as banner advertising. TT4U needs to consider the branding messages the advertising will promote, possibly separately branding the new services from TT4U's existing business.

Interesting potential clients

TT4U should look to make the most of methods such as tweeting or Facebook pages to promote interest in its new services. Social media postings could cover concerns clients have, for example, about the lack of connectivity between data holdings, which TT4U's new services will address. Social media can also promote TT4U's expertise by providing opinions or guidance from a director or employee.

The information about the new services on TT4U's website needs to indicate clearly the ways TT4U's services will provide maximisation of value for clients and the unique selling points which TT4U's services have. It needs to show clearly that it is addressing what is of interest to potential clients by, for example, providing answers to frequently asked questions about cloud services. Infrastructure issues should be regarded as a priority, as the ability to search the site easily can help keep users interested and prompt them to revisit the website.

TT4U then needs to make sure it makes maximum use of the data it has about website visitors to develop its website continuously. The pattern of clicks will help establish what particularly interests different visitors. Questionnaires about what visitors are interested in can be used to see how to develop content further, for example, in greater emphasis on data management and hosting.

Gaining potential clients

Turning users into clients needs to be focused on using the data about what they are interested in to attract them to the services offered. A personalised approach focused on opt-in emails and text messages, tailored to what is of interest to clients, is core. These messages need to encourage two-way communication. Not only will that interest clients more, but it will highlight the proactive and collaborative attitudes which the new business approach will be promoting.

TT4U can also use media releases to target particular groups, for example, clients using certain cloud services. Whilst these are less tailored, they can be used to create interest. They can be followed up by tailored communications to individual clients subsequently.

(ii) Retaining clients

The same emphasis on personalised communication needs to be used for current clients. The focus needs to be on continuous dialogue. More regular client surveys, focusing on what they are likely to be most concerned about, need to be undertaken. TT4U must remember this personalised approach is not just about what is delivered but how it is delivered – how proactive TT4U is with its clients.

TT4U's website should also help develop relationships with clients by getting them to register or perhaps subscribe to particular content. The website could provide a chat or messaging option.

As well as TT4U's website, other methods which could be developed include newsgroups and business blogs. Newsgroups would keep clients interested by highlighting new developments with the cloud which are linked to the services which TT4U provides.

Providing services which can only be accessed by clients, for example, extranets, can also help generate loyalty. Again it is important that these are tailored to what is important to clients and generate responses from TT4U.

TT4U needs to consider how proactive staff are in dealing with client concerns, how quickly they respond when clients contact them and also how easy it seems to be for them to answer client queries. A business offering IT expertise needs to ensure that the knowledge and awareness which all its staff have is clear to clients. TT4U should also emphasise the existing knowledge it has of existing clients' systems as a selling point for helping them develop effective cloud computing service offerings.

3 (a) Email

To: Chief executive
From: Consultant
Date: 1 March 20X0
Subject: Transforming TT4U

Dear CEO

You asked me for my thoughts on the transformation process and how you should lead it, including communicating the need for transformation positively. Attached is the draft letter to employees for your approval which you asked me to prepare. Obviously please contact me if you would like to discuss comments and amendments.

Your responsibilities and the board's responsibilities

You are quite right in supposing that you have to lead the transformation, as the successful implementation of the Mieobed approach could be vital for TT4U's long-term success. You will need to promote the Mieobed approach as a coherent whole and sell it to staff.

However, senior management at TT4U has always operated, and been seen as operating, as a team. Your first task will therefore be to convince the rest of the board of the need for transformation, so that they become as enthusiastic about it as you are. Successful implementation will depend on their convincing staff to embrace the transformation. Before presenting the approach to staff, you need to make a clear and detailed presentation to the other directors at the next board meeting, showing how adopting the Mieobed approach will fulfil TT4U's needs and emphasising the need for all the board to provide leadership.

Preparing for transformation

Explaining the Mieobed approach will not be enough by itself. Some staff may see the way it promotes improvements, but others may have more difficulty seeing how it applies or will be sceptical about it. You will therefore need to explain what is driving the transformation and the adoption of the Mieobed approach, and create the motivation for transformation.

When introducing the Mieobed approach, you need to do it in the context of both the culture of TT4U and the practical aspects of the business. You will need to communicate changes in culture, including changes in assumptions about how communication takes place and how clients are viewed. You will also need to show how internal changes, particularly changes in organisation structure, will mean a need to change behaviour towards other members of staff.

Practical aspects of the business which you need to consider include how organisational structure changes will follow through into changes in jobs and responsibilities, and also changes in processes and rewards. These are discussed further in the attached letter. To decrease staff's uncertainties, you will need to oversee the drafting of an operational plan covering these areas.

The letter also mentions staff enhancing their skills. This is an important selling point to staff as well as an important success factor in the transformation. You will need to consider the training staff will need and draw up a training programme, maybe with the assistance of an external experienced trainer.

Lastly, the transformation may require changes in TT4U's information systems and flows of information to the board. You and the IT director will need to consider the information needs of the board, including those highlighted by the marketing director, and draw up a plan so that TT4U's systems can provide the information required.

Implementing transformation

There should be a structured process for transformation in place. Given that participation is a core element of Mieobed, adopting a consultative process through meetings and praising and rewarding good suggestions will reinforce the messages you want to put across and is most likely to motivate staff.

Participation by staff should also be part of the transformation process itself. Ideally, staff should themselves have significant involvement in creating new behaviours and working routines. However, if it appears that the transformation process is slower or not transformational in the way you wish it to be, you may need to intervene and provide direction so that the transformation programme is consistent with your future strategy.

The attached letter emphasises the need for staff to get used to working with different people in different teams. To underline the importance of this, staff should be involved in team-building exercises, in teams with other staff whom they do not work with normally. This could be combined with staff involvement in creating new routines, with teams' contributions being enhanced by having staff with a range of perspectives arising from the different work experiences they have had.

Once transformation has happened, the final stage is ensuring staff are behaving in new ways and setting new standards. You will need to obtain evidence, from senior management keeping an eye on what is happening and human resource information such as appraisal meeting feedback, that changes have been embedded throughout the organisation and staff are not going back to old ways of working. The new behaviours expected can be reinforced by changing the mission, objectives and key performance indicators of TT4U.

Communication

The approach is based around open communication and you will undermine your own message if you are seen as not communicating clearly and completely throughout the transformation process. You have to take a position of being prepared to give full explanations and follow up queries when resolved. This may involve releasing news (particularly any bad news)

earlier than you would feel comfortable with, but this will be necessary to promote staff confidence in the transformations and the message you will be delivering.

Please contact me with any issues you want to discuss further.

Regards

Stubfield

(b) Letter

**TT4U Head Office
1 March 20X0**

Dear colleagues

I am writing to tell you about how we, the directors, plan to transform TT4U's business approach. A key element which we plan to introduce is participation. We will therefore need your help to make it a success.

We have decided to change our business approach because of demands for enhanced client service levels in our sector. I know we have always tried to connect with our clients and our client survey showed that some clients greatly appreciate our work. However, the survey has also shown that we need to improve in certain areas. We must therefore make this our top priority.

We are going to draw our clients closer to us by open communication and demonstrating complete empathy with their needs. We also need to understand how we can tailor our services so we can take them on a journey. We must see them as stakeholders in our work, with what we do determined by what they need and how their operations can be improved.

Benefits for our company

By knowing what is driving their business, we can develop what we offer to our clients, so that they obtain more services and generate more revenue for us. If they have a close relationship with us, it is less appealing for them to change suppliers.

We also learn by talking to clients, and developing services in conjunction with them. What we develop for one client, we can adapt for others. What we learn from clients can enhance the contribution of our most important asset – you, our staff.

Benefits for you

I am so excited to be introducing this new approach because of the value which it will provide for you. We shall be giving you the training you need to develop knowledge of all our services and your personal skills. You will also be developing your capabilities by undertaking a wider variety of stimulating work, connecting with clients so that you understand what they require, and also working with, and learning from, different colleagues on different jobs. You will be given enhanced responsibility for maintaining dialogue with clients. Helpful suggestions will be rewarded as will outstanding client service.

How your work will change

I am sure you are asking what this will mean in your day-to-day work. The structure that we are used to, of three departments, will be loosened. You will be working with different teams to service different clients or on developing particular services. Teams will contain a mixture of expertise so that we can learn from each other.

This team structure will also help enable more communication. We all have a part to play in this. When you are in the office, do not sit in the same place with the same people every day but sit with, and talk to, different colleagues. Do not just read the intranet, but make use of it. Participate in discussion forums. Pass on to your manager and colleagues ideas you have had and insights you have gained from clients.

Finally, make our clients and our stakeholders the centre of your world. It goes without saying that clients should be responded to quickly however they contact us. Make sure you respond fully to their concerns. However, if we are to take clients on a value-enhancing journey, we need to do more than react, we need to be proactive. We all have a role to play with individual clients in making suggestions to them, using our knowledge and experience and awareness of their needs to help their organisation fulfil its full potential.

This is a start of a conversation between us. We will be talking together much more about this in the weeks and months to come. I look forward to discussing it with you.

Yours sincerely

Chief executive officer

(c) Briefing notes on board membership and information flow

The changes suggested to board composition and information flow reflect the need for development in TT4U's governance as it is growing and seeking to be more responsive to its clients' needs.

Executive team

The current executive team has combined operational management responsibilities with taking on board roles part time up to now. However, TT4U is now large enough to warrant full-time commitment to board roles and perhaps greater delegation to a management team immediately below board level. There is a case for the following roles being full time:

- Operations director – an additional role to the CEO and services director, to oversee and co-ordinate the new, more complex structure.

- Marketing director – concentrating on the effective marketing of new services and leading the winning of business from new clients.
- Human resources director – TT4U's size, the importance of key staff to the business and the forthcoming changes in structure with impacts on staff development and motivation all suggest a separate board role for human resources. Most likely an external specialist should be recruited.

Non-executive directors

The non-executive directors recruited so far help ensure TT4U complies with legal and regulatory requirements. TT4U will probably have to recruit more non-executives when it becomes fully listed. If the right non-executive directors are recruited now, they could make a strong contribution to the business at an important time for its development.

The board should consider carefully what knowledge and experience new non-executive directors should ideally have, but directors with the following backgrounds would appear to be particularly valuable:

- Experience and knowledge of the IT sector, who have worked for businesses which 'do things differently' from TT4U and businesses with a strong record of innovation in the sector.
- Experience in client service who can view this aspect of what TT4U offers critically.

Information supplied to board

The board needs to be supplied with sufficient and timely information about developments in the wider environment relating to client service. It is not enough just to know what competitors are offering. More information is needed on how services are provided and how competitors are measuring the strength of their client service. The board should also be supplied with available external information about how TT4U is ranked for client service compared with its competitors.

Findings derived from e-marketing initiatives should be summarised for every board meeting, including interest shown on the website and response to website surveys. Action taken in response to previous findings should be summarised.

The board should obtain and discuss summaries of relationships with current clients. Client feedback should be sought on a continuing basis, and not just one-off surveys, if TT4U is to show itself to be serious about the Mieobed approach. The board should be particularly concerned with feedback from larger clients and clients whose contracts are coming up for renewal.

The board should also be informed immediately if there are signs of serious problems with client relationships. These can be major complaints from clients or events such as major system outages which can trigger problems with clients.

The summaries should be supported by summaries of key performance indicators which focus on client service. These include response times to client communications, meetings with clients and additional services sold to clients. Although it is more difficult to measure, there should be indicators of TT4U's flexibility in responding to client requirements. Dialogue with clients may provide the best indicators of this.

1 (a) Up to 2 marks for each risk discussed.

Risks can include:

- Strategic
- Operational
- Key person
- Marketing
- Access problems
- Data threats
- Reputation

(Up to a maximum of 8 marks in total)

(b) Up to 2 marks per relevant point.

Up to 7 marks for discussion of each of the two options, within that up to 4 marks for discussion of advantages of pursuing the strategy and up to 4 marks for discussion of concerns with the strategy.

Internet-of-things

Advantages can include:

- Easy means of expanding the company
- Enhancing reputation for innovation

Concerns can include:

- Over-commitment
- Need for expert staff
- Problems with client systems
- Data and security risks

Government sector

Advantages can include:

- Coherent approach to area where one-off success has been achieved
- Availability of opportunities
- Guaranteed cash stream

Concerns can include:

- Low profit margins
- Compatibility with other strategies
- Reputation risk
- Requirements of different stakeholders
- Government targets

(Up to a maximum of 12 marks in total)

(c) Up to 4 marks for prevention controls, can include:

- Passwords
- Limitation of access
- Procedures for mobile devices
- Configurations used

Up to 3 marks for detection controls, can include:

- Review of staff who have left
- Review failed attempts to log on
- Review for unusual activity

Up to 3 marks for risk issues relating to communicating with the client, can include:

- Weakening client's trust
- Client reaction if information is disclosed
- Reputation risk if made public

Up to 3 marks for ethical issues relating to communicating with the client, can include:

- Complying with authority's demands
- Honesty/transparency
- Compatibility with policy (Mieobed)
- Help detection

(Up to a maximum of 12 marks in total)

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
1 (a) <i>Analysis skills</i> in establishing the risks relating to TT4U. (Briefing notes)	<i>The candidate has provided a generic list of risks which are not linked to the information given in the exhibits.</i>	<i>Some of the risks discussed by the candidate are supported by information in the exhibits. However, the significance of most of the risks in relation to TT4U's winning and retaining contracts is not clearly shown.</i>	<i>Most of the risks discussed are linked to data in the exhibits and the answer shows how they may affect TT4U's winning and retaining contracts. The answer is in the correct format.</i>	<i>The answer is constructed round risks which will be important for TT4U winning and retaining contracts. The significance of these risks is clearly explained and is supported by data taken from the exhibits. The answer is in the correct format.</i>
	0	0.66	1.33	2
1 (b) <i>Evaluation skills</i> in using professional judgement to appraise objectively the two strategic options proposed by the directors. (Report section)	<i>The candidate has only discussed one of the options. The candidate has discussed both options but not considered both the advantages and concerns. The discussion is not related to TT4U's positioning or organisational implications.</i>	<i>The candidate has discussed both options and made some attempt to discuss advantages and concerns. However, the discussion lacks focus on TT4U's competitive position and there is little discussion of the organisational implications for TT4U.</i>	<i>The candidate has provided a reasonably balanced discussion of both options. The discussion makes reference to the wider implications for TT4U's positioning and the organisational developments which will be needed. The answer is in the correct format.</i>	<i>The candidate has provided a well-balanced discussion of both options. The discussion shows both options clearly in the wider organisational and competitive context. The answer is in the correct format.</i>
	0	1.33	2.66	4
1 (c) <i>Scepticism</i> in challenging the views of the marketing director. (Confidential email)	<i>The candidate has only discussed risk or ethical issues. Discussion is purely in general or theoretical terms with no relation to TT4U's circumstances.</i>	<i>The candidate has discussed risk and ethical issues. The candidate has failed to consider both the risks of disclosure and non-disclosure. The discussion of ethics is mostly theoretical, with limited relation to TT4U's circumstances.</i>	<i>The candidate has discussed risk and ethical issues. The answer shows awareness of both risks of disclosure and non-disclosure. The discussion on ethics shows how broad ethical principles can be applied to TT4U's circumstances. The answer is in the correct format.</i>	<i>The candidate has discussed risk and ethical issues. The answer gives a clear explanation of the risks of disclosure and non-disclosure. The discussion on ethics is based round TT4U's situation, using general ethical principles as appropriate to support the analysis. The answer is in the correct format.</i>
	0	1	2	3

- 2 (a)** Up to 2 marks for discussion of revenue
 Up to 2 marks for discussion of contribution
 Up to 2 marks for discussing payback
 Up to 1 mark each for discussing other points such as marketing, fixed costs, tax, working capital, investment, terminal value, the discount factor and sensitivity analysis

(Up to a maximum of 8 marks in total)

- (b)** 1 mark for each method recommended. These can include:

Attracting clients

- Search engine positioning
- Banner advertising
- Social media
- FAQs/other things of interest
- Ease of access
- Review evidence of what interests clients and adopt website
- Opt-in emails and text messages
- Media releases

Retaining clients

- Client surveys
- Development of relationship – registration/subscription
- Newsgroups and business blogs
- Extranets
- Staff responsiveness to queries

(Up to a maximum of 10 marks in total)

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
2 (a) Scepticism in questioning the investment appraisal prepared by the finance director's assistant. (Report section)	<i>The candidate has just stated that some of the figures are unrealistic and has not questioned in detail the assumptions made. The candidate has only considered the net present value calculation.</i>	<i>The candidate has questioned the assumptions behind some of the figures but the questions raised about the assumptions are not always clear. The candidate has said little about the payback period or the comments.</i>	<i>The candidate has questioned the assumptions behind most of the significant figures in the net present value calculation and has also commented on the other elements in analysis. Most of the questions raised are reasonable. The answer is in the correct format.</i>	<i>The candidate has questioned the assumptions behind all of the significant figures in the net present value and the significant elements of the rest of the analysis. The questions raised are linked to TT4U's situation as appropriate. The answer is in the correct format.</i>
	0	0.66	1.33	2
2 (b) Commercial acumen by showing awareness of effective methods for e-marketing the new cloud-based services. (Briefing notes)	<i>The candidate has listed methods without any attempt to link them to TT4U's circumstances or what is being promoted.</i>	<i>The candidate has made an attempt to link some of the methods discussed to the cloud services being promoted but the answer is not well-related to TT4U's circumstances and does not indicate an overall approach to marketing.</i>	<i>The candidate has linked most of the methods to the cloud services being promoted and to what TT4U is trying to achieve and the answer has attempted to follow an overall framework for marketing. The answer is in the correct format.</i>	<i>The methods suggested are clearly shown to be relevant to promoting cloud-based services and to TT4U's objectives. The methods suggested are described within a clear framework for attracting and retaining clients. The answer is in the correct format.</i>
	0	1	2	3

3 (a) Up to 2 marks per relevant suggestion.

Max 4 marks for suggestions relating to chief executive officer and board's responsibilities, can include:

- CEO leading transformation
- CEO persuading rest of board
- Board must take a leadership role

Max 8 marks for general issues relating to the transformation process, can include:

- Explaining drive for change and creating motivation
- Detailed planning – operational, training, information provision
- Participation by staff
- Need for direction
- Team building
- New behaviours embedded
- Full and complete communication

(Up to a maximum of 10 marks in total)

(b) Up to 2 marks per relevant suggestion.

Max 4 marks for benefits to TT4U, can include:

- Clients want more services
- Clients tied into TT4U
- Services developed for one client sold to others

Max 4 marks for benefits to employees, can include:

- Training in services offered and personal skills
- On-the-job development
- Greater responsibility
- Rewards for suggestions/good client service

Max 5 marks for changes in structures and behaviours, can include:

- Flexible teams
- Greater communication
- Responsiveness to clients
- Proactivity with clients

(Up to a maximum of 10 marks in total)

(c) Up to 2 marks per relevant suggestion.

Max 6 marks for suggestions relating to membership of board, can include:

- Operations director
- Marketing director
- HR director
- NEDs

Max 6 marks for suggestions relating to information supplied, can include:

- Measures of competitor client service and comparison with TT4U
- E-marketing/website feedback
- Feedback from current clients
- Problems with client relationships
- Client service KPIs

(Up to a maximum of 10 marks in total)

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
3 (b) <i>Communication skills in persuading employees of the benefits of TT4U adopting the new approach in its working practices, using the appropriate format. (Letter)</i>	<i>The candidate has not made any attempt to use persuasive language in communicating the changes to employees. The tone of the answer is a factual list of benefits.</i>	<i>The candidate has made some attempt to use persuasive language but has not maintained a persuasive tone throughout the letter, or much of what is said is unlikely to appeal to employees.</i>	<i>The candidate has used persuasive language throughout the letter and most of what is said should appeal to employees. The answer is a letter addressed to employees.</i>	<i>The candidate shows a clear purpose throughout the letter of persuading employees. The arguments used are convincing and related to objectives in the Mieobed approach. The answer is a letter addressed to employees.</i>
	0	1	2	3
3 (c) <i>Commercial acumen in identifying changes to the membership of the board and information supplied which are realistic for TT4U and will generate better relationships with clients. (Briefing notes)</i>	<i>The candidate has just quoted from corporate governance best practice without relating the changes to TT4U's circumstances. The information the candidate suggests should be supplied would not help the board assess relations with clients.</i>	<i>The candidate has made some suggestions of board changes and information flows which relate to TT4U's circumstances. However, some of the recommendations are not realistic or would not help TT4U improve relationships with clients.</i>	<i>The candidate has justified most of their recommendations by reference to TT4U's circumstances and the recommendations appear to be realistic for TT4U. The answer is in the correct format.</i>	<i>The candidate has related all their recommendations to TT4U's circumstances. All the recommendations appear to be realistic and beneficial for TT4U's relationships with its clients. The answer is in the correct format.</i>
	0	1	2	3