

UNIVERSITY OF BOLTON

INSTITUTE OF MANAGEMENT

MSC ACCOUNTANCY AND FINANCIAL MANAGEMENT

SEMESTER ONE EXAMINATION 2021/2022

STRATEGIC BUSINESS LEADER

MODULE NO. ACC 7530

Date: Friday 14th January 2022

Time: 10:00 – 14:00

INSTRUCTIONS TO CANDIDATES:

There are **FOUR** questions on this paper.

Answer **ALL** questions.

This examination is 4 hours.

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GREENLAND TRUST (GT)

Background information

GT was originally formed as a vehicle for promoting the vision and ideology of Dr Aines, an environmental campaigner who had written extensively on how the systematic destruction of the wetlands in Prolandia was likely due to social, economic and climate change. Dr Aines's book showed that in the period from 1980 to 2000, there had been a dramatic decline in birds, mammals and fish dependent upon the wetland habitat with some species becoming extinct.

At the 20X9 Annual General Meeting (AGM) Dr Aines stood down and announced the appointment of a new Chief Executive Officer (CEO). Dr Aines admitted in an emotional resignation speech that he had not sufficiently considered the views of members, donors or volunteers. 'It is a matter of deep regret that I spent more time focusing on wetlands rather than people'. He was made honorary president of GT in recognition of his work in establishing and expanding the charity.

You are a recently appointed senior business manager reporting directly to the new CEO of GT. You have been recruited to advise the Finance Director and other board members on a variety of strategic level issues.

The following exhibits provide additional information relevant to GREENLAND TRUST:

Exhibit 1 – GREENLAND TRUST history and background

Exhibit 2 – Sources of funding

Exhibit 3 – Extract from internal control report

Exhibit 4 – Extract from news article

Exhibit 5 – System review/Membership renewal process

Exhibit 6 – Email re Board concerns

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The case requirements are as follows:

1 In a recent telephone conversation with the new CEO Julie Hancock, she noted a key request. In the first weeks of her appointment she should fully understand the strategic position of GT before considering strategic options and changes.

The CEO has placed this as her number one priority and has requested a concise assessment of GT's current strategic position.

Required:

Prepare a briefing paper for the CEO's next board meeting which:

- (a) **Analyses the strategic position of GT summarising the key strengths and weakness identified.** (14 marks)

Professional skills marks are available for demonstrating *analysis skills* in determining GT's strategic position. (2 marks)

- (b) **Evaluates the expectations of GT stakeholders and suggest how understanding these interactions will benefit the purpose of the charity.** (12 marks)

Professional skills marks are available for *evaluation* skills by understanding the expectations and interaction of stakeholders' at GT objectively. (2 marks)

(Total: 30 marks)

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- 2 Following an initial internal review the new CEO has expressed dismay as to the fall in funding, which is critical to the future success of GT.

The review identified problems with the current membership renewal process such as the low response to payment requests; the dispatch of renewal reminders for people who have already paid; the failure to send renewal invoices to some members.

The FD has requested that you bring “a fresh pair of eyes” to the current membership renewal process. As a result, the FD has asked you to provide a report covering two issues, both of which he believes are fundamental to reversing the downward trend in funding.

Required:

Prepare a report for discussion at the next board meeting which:

- (a) **Analyse faults in the current membership process which lead to the problems identified, and evaluate the options to improve the current membership renewal process.** (12 marks)

Professional skills marks are available for *commercial acumen skills* when recommending solutions to those issues highlighted in the internal review and the impact on GT.

(4 marks)

Secondly, the FD also believes that there is a lack of understanding on behalf of some of the personnel employed by the charity as to the emphasis GT should place on Corporate Social Responsibility (CSR), when compared to a commercial “for profit” organisation.

The FD would like to issue a note to all staff and publish it on our new website.

Required:

Prepare a note suitable for inclusion on the website which covers the following request from the FD

- (b) **Explain ‘corporate social responsibility’ (CSR) and discuss the ways in which CSR and the ethical stance might differ between GT and a commercial ‘for profit’ business** (12 marks)

Professional skills marks are available for demonstrating *analysis skills* in considering the differences and the impact on GT

(4 marks)

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(Total: 32 marks)

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- 3** Julie Hancock sees customers as 'both prospective and existing members, volunteers and donors of GT'. She also wishes to gain increased revenue from each member and donor.

Required:

Prepare a report for discussion at the next board meeting which

Evaluates how email, social media and website technology might facilitate the acquisition and retention of GT's customers and support GT's aim to gain increased revenues from members and donors.

(12 marks)

Professional skills marks are available for *commercial acumen skills* by demonstrating awareness of business and wider external factors impacting on the decision to implement the technology. **(2 marks)**

(Total: 14 marks)

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4 It is now three months later

The CEO has expressed concern about the issues raised with the new website project. The CEO is clear that this project is a critical element in the future success of GT, and is keen to ensure that there is full agreement and backing for this project amongst the board members.

Required:

- (a) Prepare TWO presentation slides, together with accompanying notes, for the CEO to present to the board which:

Identifies the issues identified in the project management process at GT and presents options available to address these issues in the GT website project. (8 marks)

Professional skills marks are available for demonstrating appropriate *communication* skills to reflect the needs of the audience. (2 marks)

Since taking the role, the CEO is also concerned as to the apparent lack of understanding of some of the GT personnel as to the key differences between a charity and a public listed company.

Required:

Prepare a briefing paper for the next senior staff meeting in which you:

- (b) Discuss the ways in which charities differ from public listed companies and explain how these differences affect their respective governance structures. (10 marks)

Professional skills marks are available for demonstrating appropriate *communication* skills to reflect the needs of the audience. (4 marks)

(Total: 24 marks)

END OF QUESTIONS

Exhibits 1 – 6 over the page....

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Exhibit 1 – Extract from the current GREENLAND TRUST website:

GREENLAND TRUST - history and background

In 20X2, the environmental campaigner Shan Aines published a book on the Wetlands of Prolandia. The Wetlands of Prolandia are areas of natural habitat made up of land saturated with moisture, such as a swamp, marsh or bog. Dr Aines' book chronicled the systematic destruction of the wetlands due to population growth, increased economic development and the inevitable effect on climate change.

Water had been progressively drained from the wetlands to provide land for farming and to provide water for the increasing population and industry of the country. Wetlands provide an important habitat for wildlife. Dr Aines showed that in the 30 year period which ended 2 years before publication of the book in 20X2 (from 1970 to 2000), there had been a dramatic decline in birds, mammals and fish dependent upon the wetland habitat. Some species had become extinct.

In 20X3, Dr Aines formed the GREENLAND TRUST (GT), with the aim of preserving, restoring and managing wetlands in Prolandia. Since its formation, the Trust has acquired the four remaining wetland sites left in the country. The Trust's work is funded through donations and membership fees. Donations are one-off contributions. Membership is through an annual subscription which gives members the right to visit the wetlands. Each wetland site is managed by volunteers who provide access and guidance to members.

The wetlands are not currently open to the general public. Dr Aines' work on the wetlands has brought him to the attention of the Prolandian public and he is now a popular television presenter. GT is also a strong brand, recognised by 85% of Prolandians in a recent green consumer survey.

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Exhibit 2 – GREENLAND TRUST (GT) Funding Sources

GT is a registered charity.

Charities within Prolandia have to be registered with the Commission of Charities which regulates charities within the country. The number of charities has increased significantly in the last few years leading to widespread criticism from established charities, politicians and the public, who believe that many of these charities have been formed to exploit taxation advantages.

Dr Aines is a vociferous critic, particularly after the Commission of Charities gave permission for the establishment of a rival wetland charity (WGTFT) despite the fact that all wetlands in Prolandia are under GT's control.

WGTFT promised to create new wetlands artificially in Prolandia. They have so far raised \$90,000 of the \$151,000,000 required for a pilot site. Dr Aines was part of a group that lobbied the government for the reform of the Commission of Charities, but the government has rejected their advice.

The government of Prolandia has recently changed the rules on charity taxation. Previously, once the charity's accounts had been audited, the government paid the charity a sum of 20% of the total value of donations and membership fees. This reflected the income tax the donor would have paid on the amount they had given to the charity. However, the government has now declared that this is unfair as not all donations or membership fees are from Prolandian taxpayers or from people in Prolandia who actually pay tax. Consequently, in the future, charities will have to prove that a donation or membership fee was from an Prolandian tax payer.

Only donations or fees supported by this proof will receive the 20%, so called **Gift Help**, refund. Research and evidence from other countries suggests that 30% of donors will not give the **Gift Help** details required and so the charity will not be able to reclaim tax from these donors. An analysis of GT's income for 20X8 is given in Figure 1 and an analysis of income for all charities is given in Figure 2.

Research has also shown that 55% of members and 85% of donors also give money to other charities.

Figure 1 – GT's income sources; year 20X8

	<i>Members</i>	<i>Donors</i>
Prolandian Taxpayers	A\$650,000	A\$100,000
Prolandian Non-taxpayers	A\$100,000	A\$50,000
Non-Prolandian	A\$50,000	A\$50,000

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Total	A\$800,000	A\$200,00
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Exhibit 2 continued....

Figure 2 – Income for all Prolandian charities; year 20X8 (in A\$millions)

	<i>Amount donated to charity</i>
Health charities	775.0
Social Care charities	275.5
International charities	149.8
Environmental charities (including GT)	45.6

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Exhibit 3 – Extract from an Internal Control Review (prior to Dr Aines’s resignation)

GT 20X3–20X9

Administrative costs

Costs rose at a faster rate than subscriptions and donations.

Administrative staff are all full-time paid employees of the charity. However, despite an increase in staff numbers, there is a substantial backlog of cleared applications in the Membership Department which have not yet been entered into the membership computer system.

The membership computer system is one of the systems used to support administration. However, the functionality of this software is relatively restricted and cumbersome and there have been complaints about its accuracy. For example, members claim that renewal reminders are often sent out to people who have already paid and that members who should have received renewal invoices have never received them. As a result ‘we seem to be wasting money and losing members’.

Membership and volunteer consultation review

Members have become increasingly frustrated by their limited access to the wetlands and many wish to participate more in determining the policies of the organisation. They feel that the wetland sites should also have better facilities, such as toilets and concealed positions for bird watching. There were increasing criticisms of Dr Aines’ domineering style and cavalier disregard for the members. Membership is currently falling and very little money is spent on sales and marketing to arrest this fall.

Volunteers have also become disgruntled with Dr Aines’ management style. They feel patronised and undervalued. The number of volunteers is declining (see Figure 3) which in itself is reducing the access of members to the wetlands.

A recent decision not to pay travelling expenses to volunteers led to further resignations.

Figure 3 – Membership and volunteer statistics GT 20X2–20X9

	20X2	20X3	20X4	20X5	20X6	20X7	20X8	20X9
Members	12,000	14,000	15,000	20,000	22,000	25,000	23,000	20,000
Volunteers	30	35	35	45	50	52	50	40

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Exhibit 3 continued....

The two clearest messages that came from this consultation exercise were that:

- Members wanted much better access to wetlands and they were more interested in the wildlife that used the wetlands (particularly the birds) than the wetlands sites themselves. This was not a view shared by Dr Aines who wanted the wetlands preserved for their own sake.
- Volunteers wished to be much more involved in the running of the organisation and wanted to be treated by management in a way that recognised their voluntary commitment.

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Exhibit 4 – Extract from news article:

PROLANDIAN ECONOMIC TIMES

Prolandia is a country with great mineral wealth and a hard-working, well-educated population. It has enjoyed sustained economic growth over the last 40 years generated by the expansion of its manufacturing industry. The population has grown as well and, as a result, agricultural output has increased to satisfy this population, with much land previously considered as marginal converted to arable and pasture land. However, after 10 years of sustained economic growth, in 20X9, the country began to experience economic problems.

Gross Domestic Product (GDP) has declined for three successive quarters and there is increasing unemployment. Surveys have shown that wages are stagnant and retail sales are falling. There are also increasing problems with servicing both personal and business debt leading to business bankruptcy and homelessness. The climate of the country is also changing, becoming drier and windier. Last year, for the first time, the government had to ration water supply to domestic homes.

Since the resignation of Dr Aines at GREENLAND TRUST, a new CEO, Julie Hancock has been appointed. Mrs Hancock wishes to pursue a more inclusive strategy, and has immediately set about consulting the membership and voluntary staff about what they expected from GT.

In an interview with this paper, the new CEO has stated that she should understand the strategic position of GT before considering strategic options and changes.

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Exhibit 5 – System review

Julie Hancock is particularly keen to improve the technology that supports GT. She has stated that the better acquisition and management of members, volunteers and donors is an important objective of GT.

GT's current website is very rudimentary, but she sees 'e-mail and website technology as facilitating the acquisition, retention and satisfaction of our customers' needs...by customers, I mean both prospective and existing members, volunteers and donors of GT.' She also wishes to gain increased revenue from each member and donor.

The current membership renewal process has come under critical review and it is shown in the swim lane diagram (flowchart) of Figure 4. A narrative to support this diagram is given below.

Membership renewal process

One month before the date of membership renewal, the computer system (Membership System) sends a renewal invoice to a current (not lapsed) member giving subscription details and asking for payment. A copy of this invoice is sent to the Membership Department who file it away.

Approximately 80% of members decide to renew and send their payment (either by providing credit card details (60%) or as a cheque (40%)) to GT. The Membership Department matches the payment with the renewal invoice copy. The invoice copy (stamped paid) is sent to Sales and Marketing who use it to produce a membership card and send this card together with a Guide to Sites booklet, to the member. The Membership Department passes the payment to the Finance Department.

Finance now submits payments to the bank. It currently takes the Finance Department an average of five days from the receipt of renewal to notifying the Membership Department of the cleared payment. Once cleared, Finance notifies the Membership Department by e-mail and they update the Membership System to record that the payment has been made. As mentioned before, there is a backlog in entering these details into the computer system.

Some cheques do not clear, often because they are filled in incorrectly (for example, they are unsigned or wrongly dated). In these circumstances, Finance raises a payment request and sends it to the member. Once the member re-submits a replacement cheque, it again goes through the clearing process.

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Exhibit 5 continued....

Credit card payments are cleared instantly, but again there may be problems with the details. For example, incorrect numbers and incorrect expiry dates will lead to the transaction not being authorised and so, in these circumstances, Finance again raises a payment request.

The members' response to payment requests is very low (about 5%). The finance manager has described this as scandalous and 'an unethical response from supposedly ethical people'.

Also, not shown on the diagram:

One week before renewal, the Membership System produces a renewal reminder and sends it to the member. Some members pay as a result of this reminder. If payment is not received then the member details are recorded as 'lapsed'.

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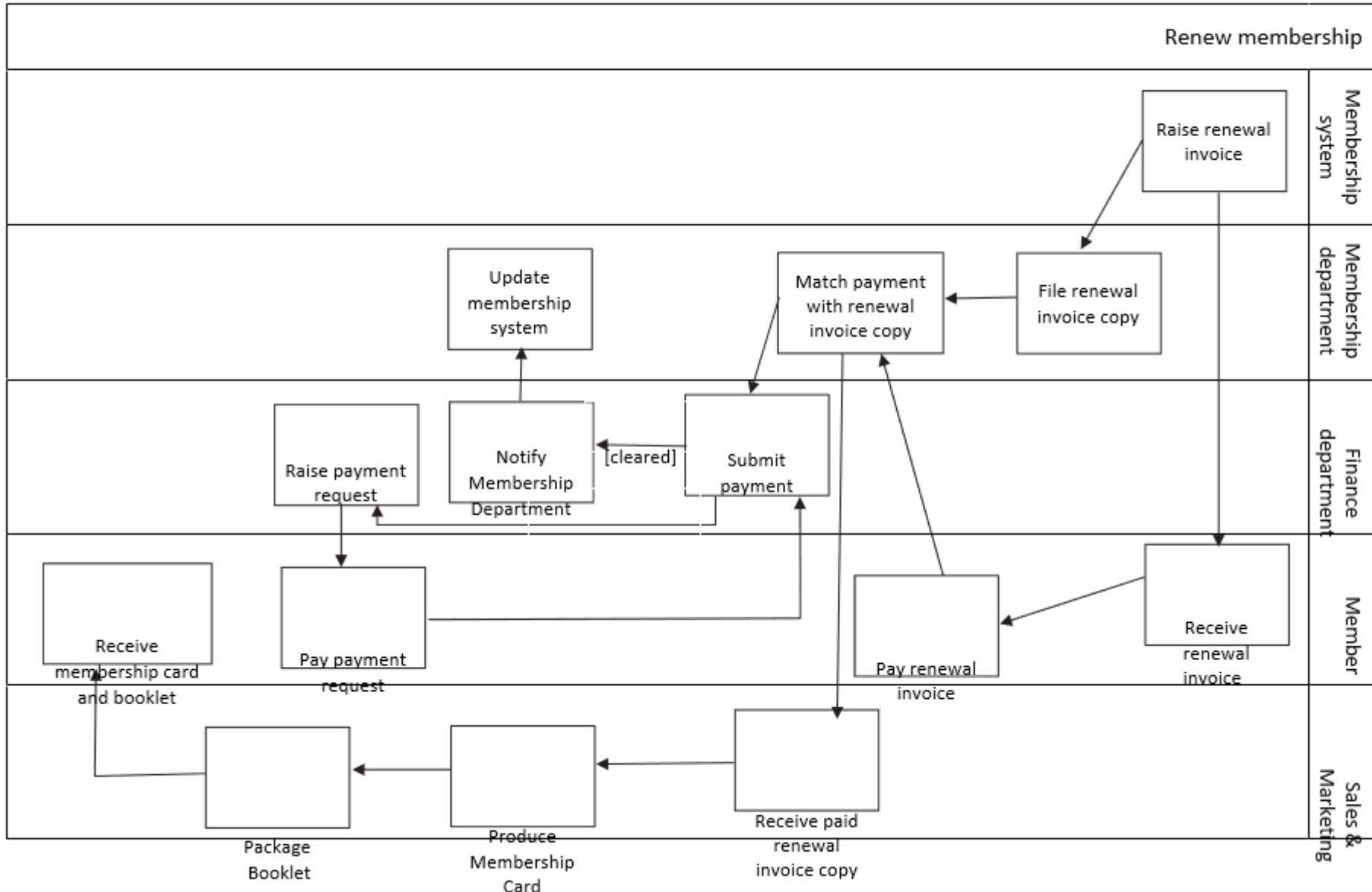


Figure 4 – Membership renewal process

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Exhibit 6 – Board concerns

Email

From: FD

To: Senior Business

Manager Subject:

Recent board

meeting Date: Today

As you are aware, recently the CEO has become concerned at the reduction in funding being received by GT.

At the recent board meeting, the CEO raised two issues she wanted to address as a priority

- there are a number of charities who operate in the same country as GT and these 'competitors' seem to have a higher profile and be attracting more funds.
- the board is very concerned at the progress of our new website as they see this as a key strategy for our future growth.

As you will note from the attached extract from the minutes of the meeting the CEO is not happy. Sheila has requested that we consider how to address the issues identified and prepare a presentation for the board in advance of the next meeting addressing the strategies available to GT to address the issues.

You will appreciate that this information is required asap.

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Attachment

Statement

from CEO

Issue one:

Part of our work in Prolandia involves fundraising and subsequently awarding grants to qualifying families in order to fulfil a child with life limiting conditions 'wish'. Examples of these wishes include the opportunity to go on 'nature tours' or meet celebrities at one of the wetland sites and view the wildlife.

This therefore involves developing the charities profile so that we can contact celebrities on behalf of grantees and liaise with prospective donor companies to secure reduced prices on supplies and also to ensure special facilities (for example extra space or adapted accommodation) are available to families travelling on a GT sponsored site. In this context GT fund raises, at least in part, by using photographs and testimonials of visits to sites granted to encourage individuals and companies to donate and arrange sponsored events. Many of GT's staff are volunteers who are asked to give up their time for free by the charity.

One of the member groups that GT works with on a regular basis has informed the trustees that it will no longer be able to offer the charity the same level of funds as before. The group has blamed global economic conditions and pressure from their investors to cut costs. The trustees of GT suspect that, in fact, the group is offering funds to other charities.

It has been hard for the GT trustees to meet to discuss the issues, since they all have full time jobs elsewhere. When meetings do take place, it is often difficult to make any decisions in the time available. This is because the trustees lack background information and hands on experience in GT's operations. I find it difficult to communicate the issues and the workings of the charity within the constraints of the bi-annual trustees meeting. All of the trustees are employees in public listed companies with no experience of working in a charity.

I have decided to prepare a presentation to the trustees on the charity's stakeholders, their claims and GT's stance on Corporate Social Responsibility (CSR) with the trustees. I am hopeful that in giving the trustees more relevant, up to date information, they may be able to support a strategy to increase GT's profile and, as a result, improve the funding.

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Issue two

As you are aware, the CEO commissioned the design of a new GT website to make it more amenable to fundraisers and convenient to use.

Problems have been identified with the new site and in particular the fact that it is not easy to navigate, which was of course one of the main reasons for the update in the first instance. The FD is in addition concerned about the rising costs of the project and the additional time now required (potentially at least) to improve the functionality. Best estimates from the project manager indicate a delay of up to six weeks to implement the suggested changes. He understands that improved customer satisfaction (by making the website easy to use) is important.

That is sadly not the end of the matter as I have received anonymous feedback from the project team members indicating that the project manager has been deficient in his duties. In their opinion this has been major contributor to the current problems.

For example, team members have said that they were unaware of issues as they had not been involved in any discussions, had not been shown any overview plan or schedules of work, were unaware of any milestones being missed and were unaware of the need to reprioritise tasks to cope with any suggested problems with the navigation of the website. They now do not understand how they can contribute to the project success.

There would appear to be issues throughout the project, and both the project manager and team members appear to be culpable. I also recognise however that this is the first project of this nature that GT has commissioned.

I intend to meet with the Project Manager soon to discuss some immediate solutions to address these issues.

END OF PAPER