

Specimen Exam 1

Exam Name: Strategic Business Leader (S2)

Time Allowed: 3 hours 15 minutes

Pass Mark: 50%

This case study examination contains 3 tasks.

Total 100 marks

Background page

This case study relates to three tasks.

Menu-Craft (MC) is a meal kit business operating in the country of Ayeland.

You are a senior business analyst working for MC and you report directly to the chief finance officer. You are also asked to work on a range of assignments and projects for other board members.

It is currently 20X5.

The following **exhibits** provide information relevant to the case study:

- 1. Supermarket partnership proposal** - A proposal submitted to the board by the chief operating officer for a partnership with Zoomu supermarkets to sell MC's meal kit boxes in its stores.
- 2. Food industry conference notes** - Extracts from a presentation attended by the chief executive officer which highlight a range of applications of artificial intelligence and data analytics technologies in the supermarket sector.
- 3. Board meeting extract** - An extract of comments made by board members at a recent meeting where the approach to managing and leading the implementation of robotics technology in MC's production factory was discussed.
- 4. Internal audit findings** - An email from the chair of the audit and risk committee outlining the findings of a recent internal audit investigation in the fresh food storage area located at MC's production factory.

The **pre-seen information**, which you have already used to familiarise yourself with Menu-Craft and the industry in which it operates, is also available on the left-hand side of the screen.

1 Supermarket partnership proposal

Zoomu is Ayeland’s second largest supermarket chain, with over eight million customers per week. It has over 500 stores located in towns and cities throughout Ayeland.

Proposal details:

To sell MC meal kit boxes in Zoomu supermarket stores for a trial period of six months.

MC will supply Zoomu with four different meal kit box recipes per month (of various portion sizes) to sell in 100 of its largest stores across Ayeland. The meal kit recipe options would change each month, to provide customers with a selection of different meals from the MC recipe range.

MC would produce the meal kit boxes within its own production factory. MC’s distributor, GoFlow would deliver these directly to Zoomu’s central distribution warehouse, from where they would be delivered to the Zoomu stores, using Zoomu’s own transport vehicles.

Meal kit box sales per week in Zoomu stores	25,000	MC has the capacity to produce up to 26,250 additional meal kit boxes per week
Estimated average sales price per meal kit box	\$18	This is based on offering customers buying in Zoomu stores a 10% discount on the sales price normally charged to subscription-based customers
Percentage of sales price per meal kit box paid to Zoomu	10%	This margin is to cover both distribution and in-store marketing expenses

- Dependent on the success of sales achieved in the six-month trial period, Zoomu will consider extending the contract beyond the six-month trial period.
- Zoomu intends to heavily promote MC’s meal kits in its stores and on its website. The MC meal kit boxes will be placed in prime in-store locations, and Zoomu will promote its own complementary products (for example bread and desserts) alongside the MC meal kit boxes.
- For MC, increased production output will require increased overtime and additional shifts for production employees. If the initial trial is successful and the contract is extended, then significant investment will be necessary in employment of additional production staff and potentially in increased production capacity.
- Zoomu’s largest rival supermarket chain in Ayeland has recently started to sell its own ranges of meal kit boxes and these have proved to be popular with its customers. If this proposal does not go ahead, Zoomu may also develop its own meal kit box range.

2 Food industry conference notes

ARTIFICIAL INTELLIGENCE (AI) AND DATA ANALYTICS IN ACTION

Supermarket sector

With millions of customers, thousands of product lines and decades of customer data, Ayeland's leading supermarkets possess valuable databases, providing the basis for a variety of data analytics and modelling. Examples include:

- Chatbots and virtual assistants offering 24/7 customer assistance and support.
- Analysis of past purchasing behaviours to tailor marketing activities and promotion of favourite products directly to each individual customer.
- Predictive analysis of customer behaviour and choices to identify and predict when/ where to sell products in store and optimise procurement, supply chain management and marketing spend.
- Collection of real time data on traffic flow and weather patterns to optimise route planning to ensure customers receive online orders on time and in optimum condition.

Key considerations

- Effective use of AI and data analytics requires large teams of specialist and highly trained data scientists and machine learning engineers.
- Millions of data points are received each month, for example online and instore customer purchases, customer feedback, website interaction and social media activity. This needs to be stored, sorted, and analysed to be of value.
- Storage and subsequent manipulation of customer and supplier data must be undertaken legally and ethically.

3 Board meeting extract

- Chief executive officer (CEO)** We need to consider how to proceed with our recent decision to invest in the robotics technology which will be used to pick and pack the dried and tinned ingredients into our meal kit boxes. Currently we only use robotics to select and form the correct size outer box and to select and insert the empty chill box into the outer box. So, using robotics to pick and pack some of the ingredients is a big step for MC.
- Chief finance officer (CFO)** Our competitors and the wider food industry players are increasingly moving towards the use of robotics to improve productivity and efficiency. The use of more robotics in production should help us reduce production costs, meaning we can pass this onto customers through reduced prices. It should also help us to reduce both food and packaging waste and help to reduce our environmental impact.
- Chief people officer (CPO)** My concern is the impact this will have on staff and how we manage the transition process. This robotics technology will result in redundancies but managing redundancies is only a small aspect of the change management process. I have estimated that 15% of our production facility workforce will be replaced by this robotics technology. This is likely to have a huge impact on the morale of the remaining staff.
- Chief operating officer (COO)** We cannot spend unnecessary time and money on managing the feelings of our staff. We have no more than a statutory obligation to ensure redundant staff are appropriately compensated.
- My concern is that we do not delay this decision. This robotics technology needs to be implemented as soon as possible. Our proposed robotics supplier has all our required technology available now, and we could have it installed within weeks.
- CPO** Nevertheless, we must ensure that this change process is carried out in the most responsible way for all our stakeholders. Our shareholders will expect us to do what is best for the business but not at the expense of our reputation as a responsible organisation.
- COO** Our shareholders will expect us to not waste time in lengthy discussions and redundancy negotiations. The remaining staff will be happy to have a job.
- CEO** It is clear that we need to fully consider the most effective change management approach which ensures that the implementation of robotics technology is a success but also that we demonstrate a responsible approach.

4 Internal audit findings

To: Senior business analyst SBA@MC.co.ay

From: Chair audit and risk committee ChairARC@MC.co.ay

Date: 1 Sept 20X5

Subject: Internal audit findings – Fresh food storage inspection

I have recently received a summary report from the latest internal audit inspection of the fresh food storage area in our production factory. The previous inspection was six months ago. The latest inspection identified the following:

- Potential cross contamination issues (meat and non-meat products stored in close proximity), despite separate designated areas being assigned. Signage of designated areas for different food categories was not always clear.
- Scheduled temperature control checks were not undertaken due to lack of knowledge/awareness of the required control. Staff assigned to this task also cited time pressures as a reason for not undertaking temperature control checks.
- Hygiene protocols not always followed – Some staff were not wearing the correct aprons and gloves when handling fresh produce. Surfaces were not always cleaned effectively or with the correct cleaning products, as directed by external food safety guidelines.
- When questioned, new staff were not fully aware of the food hygiene protocols, and training was left to colleagues. The fresh food storage area manager who is responsible for this control, was often too busy to train new staff.

MC has over 200 deliveries to the fresh food storage area each day, from a wide range of suppliers. Staff in the fresh food storage area are under immense pressure to store and locate the fresh food goods for our meal kit production accurately and quickly. Historically there is a higher staff turnover rate in this area of the business than any other area.

As you know, we are expected to adhere to the highest level of food storage and management standards within our production factory, from storage through to final delivery of the meal kit boxes to our customer. Every six months our facilities are inspected by the Ayeland Food Standards Agency (AFSA) and our license to operate is dependent on achieving its certification. Officers from the AFSA are due to visit within the next few weeks and therefore it is critical that we rectify any internal control problems before then and consider any necessary improvements.

I also think that perhaps we should consider employing a dedicated risk manager, responsible for managing the risks for our fresh food storage area within our production factory. I would be interested to get your thoughts on this.

Task 1

The chief operating officer (COO) has recently submitted an outline proposal for a partnership with Zoomu, Ayeland's second largest supermarket chain. This will be discussed in detail at a board meeting next week. The chief finance officer (CFO) has asked for your assistance on two issues in preparing for this meeting.

Prepare a report for the CFO which:

(a) Assesses the opportunities and challenges for MC of the proposal for a partnership with Zoomu supermarkets to sell MC's meal kit boxes in its stores.

(18 marks)

(b) Advises on the interests of MC shareholders, staff and customers, including the information each will need in this proposal and whether any of their interests may conflict.

(12 marks)

Professional marks will be awarded for the demonstration of skill in communication, analysis and evaluation and commercial acumen in your answer.

(7 marks)

(37 marks)

Task 2

The chief executive officer (CEO) has recently returned from a conference where he attended a presentation on how artificial intelligence (AI) and data analytics was being applied in the supermarket industry.

He has asked for your assistance in preparing for the next board meeting at which the implications for MC of using these technologies will be discussed.

(a) Prepare briefing notes for the CEO which evaluate the benefits, risks and the ethical implications for MC of using AI and data analytics technologies.

(11 marks)

You recently accompanied the chief finance officer (CFO) to a meeting at which board members discussed how to proceed with a recent decision to implement additional robotics technology in its production factory. The chief people officer (CPO) is concerned that MC should adopt the most appropriate change management approach to ensure that MC's key stakeholders are satisfied with and involved in the change process. Following the meeting, the CPO asked for your advice on this matter.

(b) Prepare an email to the CPO which applies Lewin's three stage model to advise the board on the change management approach which responsible leadership should adopt to ensure the successful implementation of the new robotics technology.

(14 marks)

Professional marks will be awarded for the demonstration of skills in communication, analysis and evaluation and scepticism in your answer.

(7 marks)

(32 marks)

Task 3

The chair of the audit and risk committee has emailed you about the findings of a recent internal audit inspection of the fresh food storage area within MC's production factory. This area must follow external AFSA food standard regulations, which include strict storage, hygiene and cleanliness criteria and temperature management controls. The chair of the audit and risk committee has asked for your input on this issue.

(a) Prepare a memo to the manager of the fresh food storage area which:

(i) Advises on the importance to MC of sound systems of internal control in fresh food storage and compliance with external food hygiene regulations, and

(ii) Recommends, with reasons, FOUR improvements to the internal control activities of the fresh food storage area.

(16 marks)

(b) Prepare a briefing paper for the chair of the audit and risk committee which advises on the role and key responsibilities of a dedicated risk manager for MC's fresh food storage area.

(9 marks)

Professional marks will be awarded for the demonstration of skills in analysis and evaluation and commercial acumen in your answer

(6 marks)

(31 marks)