

# STRATEGY & LEADERSHIP

## PROFESSIONAL 2 EXAMINATION - APRIL 2015

### NOTES:

**Section A:** Answer Question 1.

**Section B:** Answer **two** Questions **only**. (If you provide answers to all of Section B, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first two answers to hand will be marked.)

#### Time Allowed

3.5 hours plus **20 minutes** to read the paper.

#### Examination Format

This is an open book examination. Hard copy material may be consulted during this examination, subject to the limitations advised on the Institute's website.

#### Reading Time

During the reading time you may write notes on the examination paper but you may not commence writing in your answer booklet.

#### Marks

Marks for each question are shown. A mark of 50 or more is required to achieve a pass in this paper.

#### Answers

Start your answer to each question on a new page.

You are reminded to pay particular attention to your communication skills, and care must be taken regarding the format and literacy of your solutions. The marking system will take into account the content of your answers and the extent to which answers are supported with relevant legislation, case law or examples, where appropriate.

#### Answer Booklets

List on the cover of each answer booklet, in the space provided, the number of each question attempted. Additional instructions are shown on the front cover of each answer booklet.

# STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - APRIL 2015

Time Allowed: 3.5 hours, plus **20 minutes** to read the paper.**Section A:** Answer Question 1.**Section B:** Answer **two** Questions **only**. (If you provide answers to all of Section B, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first 2 answers to hand will be marked.)

## SECTION A - ANSWER QUESTION 1

### 1. Case Study

The traditional role of the pharmacy has been to dispense prescribed drugs to customers, as well as over-the-counter medicines. More recently, this role has expanded, and pharmacists now also provide health advice and even some services previously only available from doctors, for example, the “winter influenza injection”. Due to the nature of the products and services sold, the industry is highly regulated. For example, there are tight controls on medicines and on the registration and training of pharmacists.

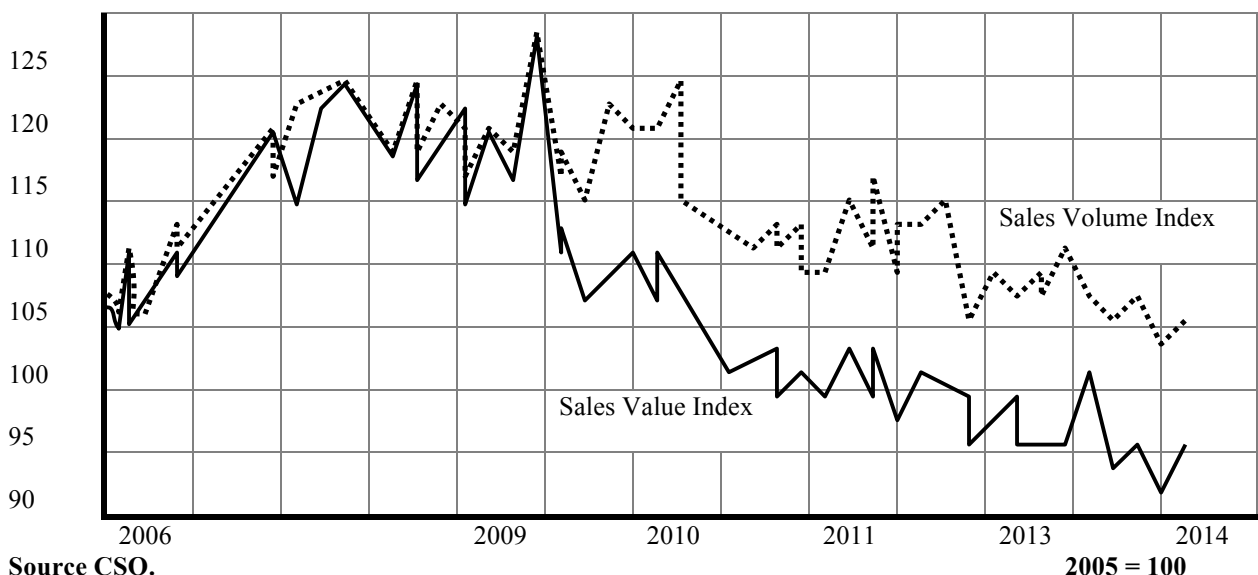
In addition to the drug dispensing and advisory role of pharmacists, pharmacies now typically provide a range of health, cosmetics and personal care products. In effect, the typical pharmacy has evolved from purely health care into more general retailing. Although the sector has diversified, it has faced similar problems to the retail industry in general, in particular declining turnover as a result of the economic climate and increased competitive pressures as retailers fight for the reduced amount of consumer demand (Figure 1 shows an index of Retail Sales in the Pharmacy Sector over the past decade). In fact, pharmacists are in general worried about their sector. An Irish Pharmacy Union Survey in 2014 suggested that when asked about their business, pharmacists were less optimistic (55%), believed that things are getting worse in the sector (49%) and indicated that turnover is falling (73%).

The pharmacy industry sector in Ireland is very fragmented. There are numerous smaller, local pharmacies and small chains of pharmacies around the country. The past twenty years has also seen some UK competitors enter the Irish market. However there is no one dominant competitor. To illustrate this, the largest competitor had sales of €298m in 2013. However, it only has 80 out of a total of approximately 1,700 pharmacies operating in the country.

Sycamore’s Pharmacy was opened by John Sycamore in 1943 and since then has been an integral part of local business in Waterford city centre. For the next 40 years the pharmacy changed slowly, and even when John Sycamore Jnr took over the running of the pharmacy in 1980, it was still run as a typical local pharmacy with little change to the business.

**Figure 1**

**Retail Sales Index of Pharmaceuticals, Medical and Cosmetic Items 2006-2014**



This began to change in 2000, when Susan Sycamore, the daughter of John Sycamore Jnr, returned from Australia to take over the running of the business. She was a business graduate of the Midlands University and her Australian husband, Paul Bard, was a pharmacist. They had a very different ambition and outlook for the pharmacy. Starting with one pharmacy in 2000, they have built the business into Sycamore's Pharmacy Group (SPG). Within two years of taking over the business, Susan and Paul had opened two more Sycamore's Pharmacy outlets in outlying shopping centres in Waterford City.

SPG now has 11 pharmacies in the South-East: four in Waterford City, two in Kilkenny City, and one each in Dungarvan, Tramore, New Ross, Clonmel and Cashel. In general SPG has grown the business organically. SPG however did acquire two pharmacies in Killard Town in 2006. For a number of reasons these were not a success, and Susan Sycamore decided to close them in 2010, when their rental agreements expired. SPG lost a considerable amount of money over the lifetime of the deal. However, Susan feels that the Killard acquisitions provided some valuable lessons, in particular in relation to the problems of corporate culture after an acquisition and the importance of hiring staff with the right attitude.

SPG have larger stores than many of their competitors. These stores are bright, uncluttered and refurbished when necessary. Susan wishes to provide the people who come into the pharmacies with a relaxing, positive experience. The larger stores allow SPG to hold a wider range of products than most competitors, but increases running and rental costs. Despite this, SPG keeps its prices in line with those of its competitors, and especially in the dispensing side of the business. In addition to medicines and dispensing, SPG provides the following range of products and services:

- Photo processing, including self-service kiosks
- Cameras and accessories
- Cosmetics
- Grooming products.

SPG's 'flagship' pharmacy is still in the same building in Waterford city, where John Sycamore started his pharmacy in 1943. In 2002, SPG bought the building next door and integrated the two premises. This doubled the size of the available retail space which has been developed significantly since 2002. In addition to the pharmacy and other retailing, the Group has included a beauty clinic, including laser hair removal, on the upper floors. SPG uses images of this store in its sales literature. The head office of SPG is on the top floor of the building. In addition to the pharmacies themselves, SPG has a warehouse and distribution centre in Waterford which is used to supply its stores around the South-East of the country.

SPG and Susan invest much time and energy into front line staff. Susan interviews for every position personally. As she says, "how frontline staff behave and deal with customers is crucial to our success and our image". Staff turnover is low, though the firm sometimes struggles to hold on to pharmacists, without whom the business cannot operate. During the worst of the recession, rather than redundancies, staff voted to take a pay cut, and staff wages have not been increased since 2007.

SPG uses the marketing slogan "Sycamore's, Your Family's Pharmacy", which was introduced when a major UK Pharmacy Group, entered the local Waterford market. SPG's main advertising is through local newspapers, where it occasionally takes out full page advertisements. It uses these to highlight its differentiators: locally owned and managed with friendly, knowledgeable staff. Frequent use is also made of direct mail shots, in which current special offers and price reductions are highlighted.

SPG has not invested heavily in an online presence; nor has it widely utilised social media. Its website is primarily used for online visibility and to provide information. The website is hosted and maintained by a specialist outsource firm. SPG was originally going to develop an online shop where it would sell a range of cosmetics, personal care products etc, but this decision has drifted for the past several years, and Susan is not convinced that it would be a useful investment at this stage. In her personal experience, people do not tend to buy these types of products online. SPG also has a Facebook page and a Twitter account, which Susan herself usually maintains. This is somewhat haphazard, and depends on her availability and what she finds interesting at the time.

SPG has remained profitable over the past six years despite the recession and competitive pressures that have seen operating margins reduced significantly. Attempts to counter the pressure on margins have been made by emphasising its differentiating points to customers and by using the services of a Buyers' Group, 'Axia', to gain economies of scale on purchases. A significant pressure point on operating margins comes from the National Health Service Authority (NHS), which on a number of occasions has reduced the price ('Reference Price') paid to pharmacists for dispensing drugs. In conjunction with NHS pressure to use alternative generic drugs has further reduced operating margins in the business. Susan Sycamore expects both of these constraints to continue into the future.

Despite the pressures on operating margins, and contrasting the trends in the industry in general, 2014 was SPG's best year since 2007. In particular, non-dispensing sales went up significantly over Christmas. Susan Sycamore believes that the industry is starting to recover and that now is a good time to undertake a complete strategic review of the company's competitive position and to assess its strategic options going forward.

**REQUIREMENT:**

Prepare a report for Susan Sycamore and SPG's management in which you:

- (a) Analyse the strategic position of the company, drawing on your assessment of the key drivers of change prevailing in the environment, applying the relevant theories and models;
- (b) Assess critically the key issues facing SPG and evaluate the company's options in dealing with such issues; and
- (c) Propose a strategy to ensure the best way forward for the company.

**(Total: 50 Marks)**

*(Note: The scenario presented in the Case Study is not intended to be comprehensive. You will be expected to make whatever additional logical assumptions about SPG Limited and its environment that will give you sufficient scope to demonstrate a high level of critical thinking, analytical skills and strategic vision, as over 50% of available marks will be allocated to these areas).*

**SECTION B - ANSWER TWO QUESTIONS ONLY.**

- 2.** McCaughlan's is a department store business, which was founded in Cork in 1962. It sells clothes and shoes, household and homeware items, cosmetics and perfumes. The business now has three stores: in Cork City, Waterford City and Clonmel. The objective is to offer leading brands alongside excellent customer service: the motto is "quality brands and service always wins".

McCaughlan's is very traditional in everything it does: the founder Seán McCaughlan frequently has said, "Our loyal customers have grown up with us, and we are part of their lives..." Sarah McCaughlan, the grand-daughter of Seán McCaughlan, has just taken over as Managing Director of the business. For the past five years, she has managed the store in Clonmel. Very quickly, Sarah McCaughlan realises that the business has problems, and there is not much time or money to resolve these. For example:

- The customer profile is ageing, with less than 10% of regular shoppers aged under 30 years old.
- The public perception, especially of those under 30, is that the department store is for "middle-aged women who want 'comfortable', rather than fashionable clothes."
- The staff profile is also ageing: there is little staff turnover, and the majority of employees have been with the department stores for over 25 years.
- The culture in the stores is problematic, with staff very "set in their ways". As she overheard one day, "It's hardly like work it's so easy going!"
- The shop and warehouse technology is out of date; there is no Electronic Point of Sale Systems (EPOS) or integrated stock management systems in use.

**REQUIREMENT:**

Prepare a report for Sarah McCaughlan, evaluating critically the current situation and recommending how McCaughlan's can change the organisational culture on the shop floor.

**(Total: 25 Marks)**

3. John, Mary and Tom have decided to set up a business: JMT Food Solutions Ltd. They have discussed the idea for a number of years. Now, in the context of economic recovery, they feel the time is right to set up the business. JMT Food Solutions will provide consulting and advisory services to SMEs in the food processing industry, particularly in Munster, a region in the South of Ireland. John has several years of experience as a food hygiene inspector, Mary is a qualified nutritionist, and Tom is a production engineer. Using their varied and complementary expertise, JMT Food Solutions believes it can provide a 'one-stop-shop' for existing or start-up SMEs in the food processing sector. You are an accountant and management consultant, and JMT Food Solutions has asked you to advise on how to build a competitive advantage for its business.

**REQUIREMENT:**

Write a report to the directors of JMT Food Solutions assessing critically the competitive strategies available to the business. The report should advise the directors on which competitive strategy is most suitable for the business and recommend how they might build a strong sustainable competitive advantage.

*[Candidates are expected to select appropriate tools for use in their report.]*

**(Total: 25 Marks)**

4. Driftwood plc will shortly commence the search for a new CEO. The current CEO, Mary Arkin was promoted from within the company where she had held the position of finance director. She has been CEO for four years, and described in the business media as "solid, a safe pair of hands". Mary has commented more than once that large organisations such as Driftwood plc can only be managed "purely by the numbers – it is just too large to do anything else". Mary's 'safe' appointment was probably an unconscious response to the near disastrous tenure of her predecessor, who aggressively pursued an internationalisation and acquisition strategy. In his 18 months in charge he had driven Driftwood plc to the verge of collapse.

Driftwood plc is a major competitor in the UK budget hotel sector. When she became CEO, one of Mary's first actions was to dispose of the foreign hotel chains acquired by her predecessor. Driftwood plc now has 210 hotels and over 3,500 employees around the UK. The firm's hotels are generally located in major city centres, larger towns and popular holiday hotspots. Driftwood plc primarily focuses on the value conscious business and leisure traveller. However, despite being value conscious, these customers retain certain service expectations, in particular with regard to interaction with staff. An unhelpful staff member can lead to a negative message on social media very quickly, and therefore staff engagement and attitude are very important to the success of the business.

One of the key trends in the UK hotel industry is the rapid expansion of the budget hotel sector, in what was until recently a recessionary climate. In fact, the UK budget hotel sector has seen room supply increase at record levels in many cities, especially London, in recent years. Similarly, the number of business travellers using budget hotels has doubled since 2008. The budget hotel sector would generally be regarded as very competitive.

Unfortunately, under Mary's leadership, staff morale has been draining away as a consequence of the more bureaucratic and cautious culture that she has fostered. As CEO, she acknowledges that there are a lot of talented people in the organisation and is concerned that they do not seem to be working to their potential.

The board of directors recognises that the next CEO appointment is critical to the long-term success of the hotel chain. As a well-respected expert in the area of leadership theory, the board of directors have asked you to advise it on the next CEO appointment.

**REQUIREMENT:**

Assess critically the insights that Driftwood plc may usefully obtain from the main theories of leadership, and recommend with reasons to the board of directors, the type of leadership needed to resolve the problems in Driftwood plc, with particular reference to the issue of staff morale and engagement.

**(Total: 25 Marks)**

**END OF PAPER**

## SUGGESTED SOLUTIONS

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN IRELAND

# STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - APRIL 2015

### SOLUTION 1

Acme Business Consultants  
Sage House  
Big Town  
Ireland  
28 April 2015

To: Susan Sycamore  
Sycamore's Pharmacy Group  
Main Street  
Waterford  
Ireland

#### Re Strategic Review of Sycamore's Pharmacy Group

Dear Susan

Thank you for inviting Acme Business Consultants to analyse and report on the Strategic Position and Strategic Options open to Sycamore's Pharmacy Group at this time. The enclosed report has three parts:

- (a) Analysis of the strategic position of the business and expected drivers of change
- (b) Assessment of the key issues facing the business and evaluation of the company's options
- (c) Strategic proposals to build Sycamore's Pharmacy Group going forward.

I am available to discuss the report and to provide any additional information or explanations if you should require them.

Yours sincerely,  
A. Student  
Acme Business Consultants

#### (a) Strategic Analysis of SPG

The General Environment (PESTEL)

##### Political and Legal Factors

Ireland was the fastest growing economy in the Eurozone in 2014: the Irish growth rate is estimated at 4.6%, compared to an EU average of 1.3% and a euro zone average of 0.8%. This gives the Irish Government more policy options and opens the door to an easing of the fiscal austerity of the past several years. The areas of health care and pharmacies have been dramatically impacted by the austerity programme, with for example, the imposition of prescription dispensing charges, reductions in reference prices paid to pharmacies, and the push for the use of more generic drugs. These have all impacted on pharmacies turnover, and the easing of austerity pressures may also reduce the pressure for continuing cuts in these areas.

There is also to be an election before April 2016 and in an attempt to attract voters, the Government may take the opportunity afforded by improved economic circumstances to delay further cuts. That said, there is likely to be pressure for some period yet to better manage health care, including pharmacy, costs.

Paradoxically, the pressure to reduce health care costs in general may bring a benefit to pharmacies. The health care and pharmacy sectors are tightly regulated, and the Government has commenced the process of allowing pharmacists to undertake some procedures previously only available from GPs. In addition, in the future, more



medicines may be dispensed without the need for a prescription. The movement of the pharmacy sector into the area of delivering more primary medical care is an opportunity for the sector.

Inevitably due to the nature of the products sold, the pharmacy sector is highly regulated to protect the health and safety of the public. The Pharmaceutical Society of Ireland (PSI) regulates the pharmacy profession and pharmacies. The Health Products Regulatory Authority (HPRA) regulates medicines, medical devices, other health products and cosmetics. Regulations create costs and the pharmacy sector has to comply with significant amounts of regulation. For example, changes in regulations have allowed the influenza vaccination to be made available in pharmacists, but unlike the nurse or doctor, the pharmacist is required to retrain every year to deliver this service. This is an additional cost to the sector that doctors etc do not incur, and places it at a disadvantage.

### **Economic Factors**

In general, economic factors are turning in favour of Ireland and therefore of the pharmacy sector. As identified above Ireland's economy is now growing strongly, and Ireland will be the fastest growing economy in the European Union this year, according to the European Commission's autumn economic forecast. There is a government forecast growth rate 3.9% for 2015; according to the ESRI this will mean 50,000 more people in work in 2015, while the unemployment rate will fall to below 10%. Consumer spending is gradually improving as consumer confidence has been close to record highs. Disposable income is set to expand across the economy. This all points to improved circumstances for the pharmacy sector in particular, and retail in general. As indicated in the case, both sales value and sales volume indices are positive in 2014.

The availability of credit to SMEs is a major issue still facing Irish businesses. This is a legacy of the banking crisis, and has caused the government to create the Credit Review Office. The role of the Credit Review Office is to help SME borrowers who feel that they have a viable business plan and who have had an application for credit of declined or reduced, where the terms and conditions are unfairly onerous. Although it is improving, obtaining bank finance remains more difficult for SMEs than it should under normal circumstances. This may limit the opportunities that SMEs, including pharmacies, can pursue over the short to medium term.

### **Social and Cultural**

The CSO estimate that 587,000 people or 12.7% of the population are over 65 in 2014. According to CARDI by 2041, there will be 1.4m in Ireland aged 65 and over, three times more than the older population now. This older group will make up 22% of the total population. This represents a significant growth market for health and wellness products and services, and for the pharmacy sector.

In parallel with the positive demographic age trends, is the general increased awareness of health issues and the growing wellness and alternative remedy industries. While these may be seen as alternatives, or threats to the mainstream pharmacy industry; the heightened awareness of health can translate into opportunities for the pharmacy sector as people become more proactive about their health.

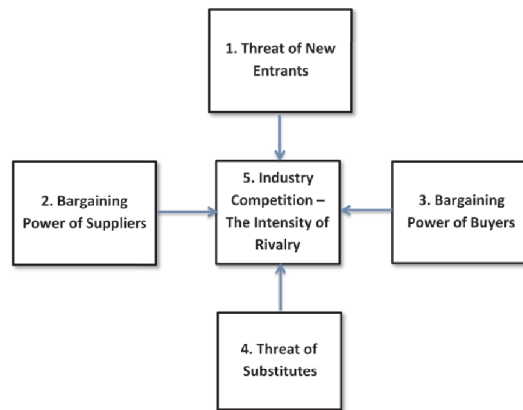
Consumers in general, including those buying health products and services are more informed than ever before. This is partly due the awareness mentioned above, but it is mostly a consequence of more information available, particularly on the Internet. Pharmacy customers are more likely to discuss and question the pharmacist whereas in the past they would have simply followed the advice of the pharmacist. Pharmacists need to be open and comfortable with this, because as a service industry, and one with low switching costs, if the pharmacist reacts negatively, the customer will simply go elsewhere next time.

### **Technology**

While pharmacists sell very technical, complex products and medicines, the selling process is similar to general retailing. The customer facing element of the pharmacy sector is still people centred: sales assistants and pharmacists interacting with and providing customers advice. However, the sales process is supported by complex organisational and sales management technology. Sophisticated EPOS and stock management systems are commonplace in retail, including the pharmacy sector. Pharmacists also use online databases to review medicines, their side-effects and so on, so as to better advise customers.

In addition, like general retailers, many pharmacists have an online shop for non-dispensary product ranges, for example, beauty products, fragrances and toiletries. Building on this, retailers and pharmacists are increasingly using their online presence not just as an alternative selling platform, many are also making use of social media – facebook, twitter – as additional promotional opportunities. If pharmacists are to remain competitive, they increasingly need to utilise up-to-date organisational, sales and online technologies. These have effectively become a threshold capability in the sector at this point.

## Competitive Environment (Porter's Five Forces Model)



This model provides an insight into the nature and dynamics of competition in the pharmacy sector.

### The intensity of rivalry

The scope of rivalry in the sector tends to be local, at least in terms of dispensing medicines. The sector itself is fragmented with many small, local rivals as well as some larger chains. The sector's products are standardised and generally regulated, with little differentiation. The non-medicine products sold in the sector tend to have strong supplier brands that customers recognise. In addition it is difficult to create clear switching costs, and prices are an important competitive weapon. The industry has suffered from the economic recession and sales and turnover have declined over the past several years. There is a belief that the dispensing side of the pharmacy sector will continue to face tightening revenues. Overall the degree of rivalry is strong.

### The threat of new entry

The threat of new entrants is influenced by entry barriers and the existing attractiveness and potential in the industry. The licensing of new pharmacies is easier than heretofore, and the greater number of qualified pharmacists makes the likelihood of new entrants a little higher. The sector has few switching costs, with price the main competitive weapon. As is the case with any retailing, convenient location can be a factor also. It is difficult to differentiate and customer loyalty would tend to be transitory. The level of capital investment required to set up a new pharmacy is relatively not that significant. Overall the threat of new entrants is medium, mainly due to the existing competitive nature of the industry rather than barriers to entry per se.

### The threat of new substitutes

To be a relevant substitute, the alternative industry needs to provide services that are comparable, readily available and attractively priced. Currently, there is no genuine substitute for pharmacy dispensing services, especially as it is a licensed and regulated sector. The closest alternative is alternative medicines, which most people do not see as comparable and certainly do not have the same efficacy as mainstream medicine.

### The bargaining power of buyers

Because the pharmacy sector sells to the general public, who individually buy only small quantities, individual buyers are not powerful and are price takers. However, buyers in general are a powerful influence in the sector. As mentioned, buyers have little switching costs and the products are standardised and branded. There is usually a variety of alternative pharmacy outlets available so the individual buyer has a clear choice. Lastly, in the context of generally lower incomes, buyers are more motivated to pay the lowest price. This leads to buyers having significant influence in the sector.

### The bargaining power of suppliers

Apart from the usual types of supplier – shop fitters, electricity etc – there are two core groups of supplier in the pharmacy sector. The first of these are pharmaceutical firms, usually multinational firms that supply the medicines pharmacists dispense. The second group is the consumer goods firms that supply the retail products sold in the pharmacy, such as skin, shaving and cosmetic products.

In both of these instances, the suppliers have significant power, and in particular the pharmaceutical firms. They supply patented products that frequently cannot be substituted. The pharmacy sector is fragmented and competitors are much smaller than the large multinational suppliers and are not important customers to these multinationals. Suppliers have powerful brands without which the pharmacy cannot operate; if a client has a prescription for Drug A, the pharmacy really needs to have it available. The Irish Government negotiates pricing with the pharmaceutical firms, and the pharmacy sector is effectively just a price taker.



Similarly, the suppliers of the branded products sold by pharmacists, cosmetics, grooming, baby care, etc, are also typically large multinational firms. These firms are much larger than the pharmacists' businesses, and even a chain of 11 outlets, such as SPG, would not have any real leverage as they are relatively unimportant customers of the multinationals. The pharmaceutical sector – similar to other sectors – has sought to ameliorate this by using buyer groups. Nevertheless, suppliers tend to be a powerful force in the industry.

### **Resources and Competences**

Resources may be assessed from a number of perspectives

1. Physical resources, human resources, financial resources, and intangibles
2. Strategic capabilities: threshold and unique resources and competencies

#### **Physical resources**

SPG owns its flagship store, and leases a number of other locations. It also leases a warehouse for deliveries and logistics. The flagship store in Waterford also includes a beauty clinic. SPG's stores are superior to competitors in terms of size and layout.

#### **Human resources**

Employee turnover is low, which suggests a generally satisfied and motivated staff. This is also reflected in the fact that in place of redundancies, a pay cut was accepted by staff. Susan is an experienced manager / owner and has a business degree and grew up in the business. Her husband / co-owner is a pharmacist, so both are experts in the sector. Susan interviews for staff personally, reflecting the importance of staff in a service industry. A key resource of SPG is the pharmacists, without which SPG could not operate; unfortunately, SPG have had difficulty in retaining these staff.

#### **Financial resources**

There is not much reference to financial resources, however the business is profitable and owns its flagship store: there is no mention of a mortgage on this property. The other locations are leased, with consequent lower financial exposure. The main negative financial issue is the reduced operating margins and the ongoing pressure on margins into the future.

#### **Intangible resources**

There is little mention of intangible resources; however the history of the local business in Waterford is asset, at least there. This also gives the SPG good name and brand recognition and the possibility of marketing itself on "tradition". SPG also has a good reputation and better customer experience - wider product range and better stores.

#### **Unique resources and competencies**

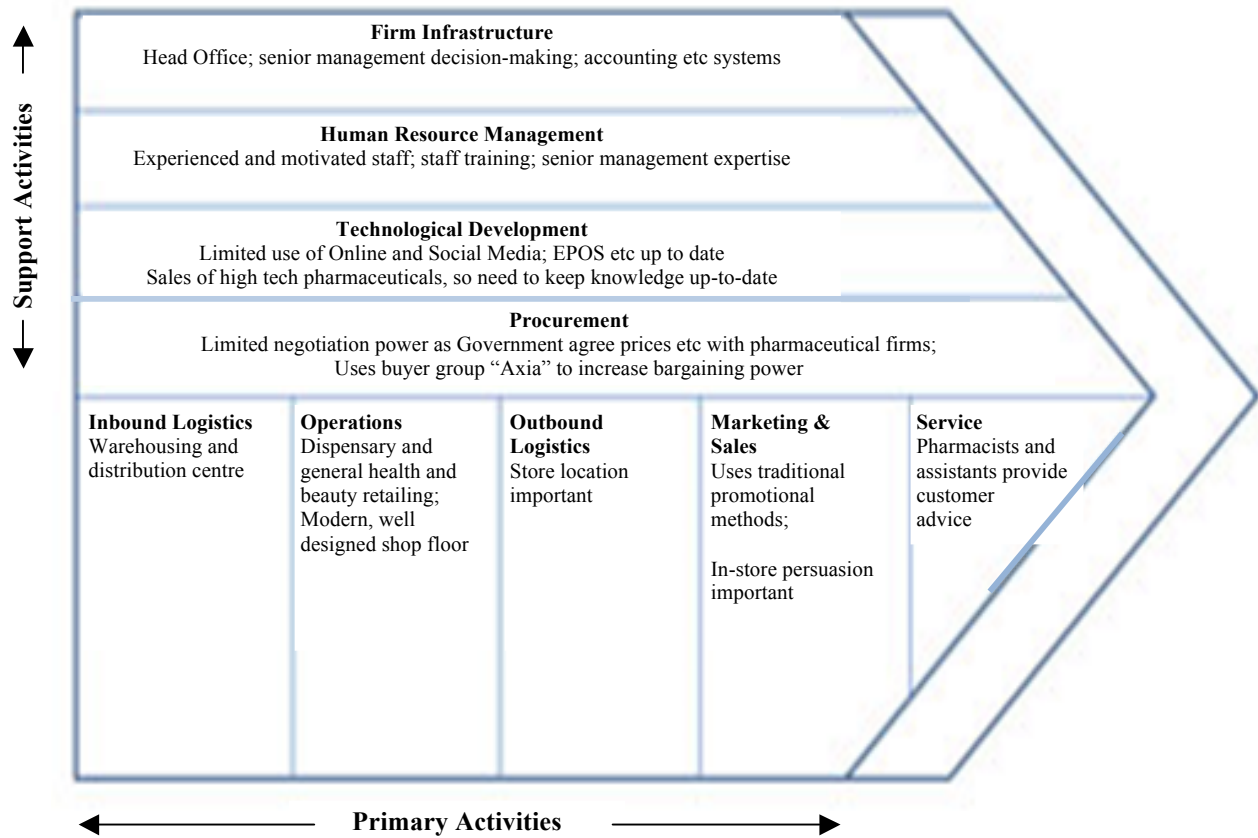
The pharmacy sector is highly regulated and sells generally standardised and branded products and services. The scope for differentiation in the sector is limited and tends to be more about how the pharmacy sells, rather than what it sells. In that context, the relevant unique resources and competencies that SPG may use to differentiate itself from its competition include:

- Customer experience provided
- Store layout
- Staff and organisational culture
- HR practices
- Reputation and brand
- Senior management experience and expertise

It is difficult to identify the one resource or competence that really sets SPG apart from its rivals. There is no core competence that is very difficult for a motivated rival to imitate.

Since SPG will find it difficult to differentiate in terms of product range, etc, it needs to ensure that what it does focus on – a better customer experience – is done very effectively.

## Value Chain of Sycamore's Pharmacy Group



## SWOT Analysis

A useful analytical summary and decision-making tool is a SWOT Analysis. However the analyses need to be based on research and data, not just management opinion.

<b>Internal</b>	<b>Strengths</b> <ul style="list-style-type: none"> <li>• Management experience and expertise</li> <li>• Good sales staff with low staff turnover</li> <li>• Positive organisational culture</li> <li>• Coherent sales approach, including staff training and store layout</li> <li>• Good store locations</li> <li>• Long history in Waterford, and associated good reputation</li> <li>• Brand</li> <li>• Wider product/service range, including beauty clinic</li> <li>• Warehouse and good logistics</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Tight dispensary margins and strong price competition</li> <li>• Cost base from higher rents</li> <li>• Turnover of pharmacists – key staff</li> <li>• No clearly defined means of differentiating from rivals / no clear organisational USP</li> <li>• Family business; over-reliance on Susan</li> </ul>
<b>External</b>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Economic recovery driving retail sales growth</li> <li>• Changing demographics – aging population</li> <li>• Ongoing technology development in the pharmaceuticals means that new drugs are always coming on the market for sale</li> <li>• Increased awareness of health and wellness</li> <li>• Move into more locations (in the South East)</li> <li>• Acquire rivals / small rival chains</li> <li>• Diversify into alternative / herbal remedies</li> <li>• Widen services provided, as these become less regulated, for example, similar to influenza vaccine</li> <li>• Develop online shop and sales</li> <li>• Utilise social media for promotional and branding purposes</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• New competitors entering the market</li> <li>• Rivals being acquired by large pharmacy chains</li> <li>• The economy not recovering as predicted</li> <li>• Lack of access to bank credit for expansion</li> <li>• Customers ongoing focus on price rather than service etc</li> <li>• Ongoing or increasing regulations</li> <li>• Continued Government health cuts and pressure on reference prices etc.</li> </ul>

## **(b) Issues and Challenges facing SPG**

SPG has succeeded to stay in business over the past six to seven years, and in that time only closed two out of 13 outlets. This is not a small achievement in the context of the economic problems that have affected the country, and in particular, the retail sector.

SPG seem to be predominantly using a Focussed Differentiation competitive strategy. SPG seeks to provide a superior customer experience to that of its rivals. However, due to competitive pressures and the standardised and branded nature of the products it sells, SPG have not been able to translate a superior customer experience into higher prices. However, the fact that it has stayed in business and remained profitable over the period indicates that this strategy is working, at least in general.

That said, in the current context and moving forward into the future SPG have issues that it needs to reflect and make choices on.

1. The continuing pressure on operating margins. The pressure on operating margins comes from both (a) Government and HSE pressures for budgetary savings and (b) competition in the sector allied to customers' price consciousness.
2. Cost base into the future. SPG's cost base is already higher than rivals. This is an issue especially in light of the likely increased rental demands of landlords as the economy recovers.
3. Effectively differentiating the organisation from rivals. SPG has difficulty in differentiating itself from the competition in a manner for which customers are willing to pay. This is generally a consequence of the nature of the sector.
4. Online presence. The lack of a meaningful online and social media presence for SPG; which if not now, into the future may lead to lost sales opportunities and reduced market visibility.
5. Resources. Does SPG have the resources, particularly financial and managerial, to pursue the opportunities that should arise over the coming years, as the economy recovers, and over the longer term, as the population ages?
6. Loss of pharmacists. SPG's organisational culture and staff turnover is generally very good, however, SPG seem to lose a lot of pharmacists. This may reflect management issues in the business and create problems going forward. SPG cannot operate without this category of staff and they need to be better managed.
7. Reliance on Susan Sycamore. There is probably an over-reliance on Susan Sycamore in the running of the business. As businesses expand, senior management, including owner managers, cannot remain as "hands on" when the business is smaller, and need to bring in other managers and delegate.

## **(c) Recommendations for SPG**

The following are recommendations that SPG may use as the basis for consolidating and growing into the future.

1. SPG is a family business of significant size, with 11 locations. Susan Sycamore and the family need to decide whether to maintain the business around its current size and scope, or whether to continue to expand.
2. If the family decide to expand SPG further, SPG will need to bring in additional management resources and to professionalise its management more. Even if SPG decide to maintain the current business scope, there is too much reliance on Susan Sycamore, and some additional management resources are required.
3. SPG should maintain its focus differentiation strategy. It is working at present, even if not generating the premium pricing options associated with the strategy.
4. Organisational culture and work environment. SPG's organisational culture and the motivation its shop-floor staff are clearly positives for the business. SPG needs to ensure that this continues into the future, and though somewhat contradictory to other recommendations, Susan Sycamore should continue to personally interview and hire staff.

5. SPG should investigate its cost base and supply chain for opportunities to reduce its cost base, particularly in light of the pressure on margins. This may mean making greater use of Buyers Groups.
6. SPG should retain a marketing firm to investigate customers' perceptions of the business. In particular, what other steps SPG can take to further differentiate itself from the competition, create an organisational USP, and if whether this would lead to premium pricing opportunities.
7. SPG needs to review how it manages and rewards its pharmacists. There is clearly an issue with pharmacist retention, and this will have negative implications for the business over the medium term.
8. If SPG decides to grow and expand there are several clear options:
  - (a) Open more pharmacies in towns around the South-East.
  - (b) As some health care services become more deregulated, take the opportunity to provide them in SPG's existing outlets.
  - (c) Provide a range of non-dispensing services, including a beauty clinic as part of their offering – though only in the larger towns.
  - (d) Partner with doctors' practices who are planning to develop new Primary Care Centres around the South-East.
9. Irrespective of developing the physical locations, SPG should develop a more effective online and social media presence, including online selling.

It should be noted that recommendations 2, 6, 7, 8 and 9 have clear financial implications, and in particular 8 and 9 will require significant investment if they are to be pursued.

## **SOLUTION 2**

The report should include most of the following...

The ability and readiness to change is important for any business, but especially so in modern, hypercompetitive markets. Effectively managing organisational change is an important challenge for organisations and for senior management. A difficulty with any change programme is that the change situation is always unique. The same organisation may be involved, but for example, the people, the technologies, the timeframe, the drivers of change, etc, will be different from the previous change programme. Lessons will have been learned, but everything will have to be adapted to the current situation facing the firm.

Unfortunately, there is an inevitable contradiction, the greater the need for change facing the organisation, usually the less time and resources are available to facilitate those necessary changes. Perhaps the key issue in effective management of change is accurately diagnosing and therefore appropriately addressing the inevitable resistance to change that will occur. If a change management programme is to succeed management must first understand the issues confronting the organisation from the perspective of its stakeholders, and in particular staff. If management do not understand how staff see the situation, they will not be able to address their concerns.

### **Change Context**

The circumstance in which McCaughlan's finds itself is common. It seems the firm has been successful in the past, opening three department stores across Munster, but now, due perhaps to complacency and strategic drift, it has failed to evolve with the market and its customers, and now finds itself misaligned with its environment. It is likely that the general economic difficulties over the past several years have exacerbated the firm's problems. Unfortunately, there are a number of negatively reinforcing issues confronting the firm and the management will probably need to address them all with a coherent and coordinated transformation strategy if the firm is to survive. The main issues facing McCaughlan's in this situation are:

### **Finances**

Due to the relatively poor sales and financial performance over the past several years, exacerbated by the recession, McCaughlan's does not have significant cash reserves to invest in the transformation programme.

### **Time**

It seems likely that there is not much time available for longer term strategic evolution. McCaughlan's does not have the cash or space for long term implementation; it has to react quickly to the crisis it is in.

### **Readiness**

The organisation, and in particular the frontline staff are not in the frame of mind to easily accept a change programme or its negative implications. The comment "It's hardly like work, it's so easy going!" is telling, and as mentioned previously, reflects a negative, unhealthy organisational culture.

### **Scope**

There are competitive and organisational issues across McCaughlan's and in all three stores. The transformation programme will need to address the entire organisation in each of the three locations.

### **Preservation**

The business needs to completely rediscover itself and return to its core value of "quality brands and service always wins". This will require the transformation programme to breakdown and reinvent almost everything that McCaughlan's currently does, and in particular its buying policies and its organisational culture.

### **Diversity**

McCaughlan's has three store locations and the different levels of performance, resources, employee attitudes and organisational culture, if any, need to inform the planning for the change programme.

### **Customers/Market**

The public image of McCaughlan's is poor. The public perception is that the department store is only for "middle aged women who want comfortable, rather than fashionable clothes." This public perception needs to be addressed urgently if McCaughlan's is to survive.

### **Organisational Culture**

Organisational culture refers to the company's internal work climate and personality. It is shaped by its core values, beliefs, business principles, traditions, behaviours and work practices. It is frequently described as "*The way we do things around here...*"



Organisational culture can be a very powerful and effective tool for management; however, the culture in the firm can also easily undermine the competitiveness of the business if not effectively managed. Organisational culture:

- Defines the boundary of the organisation.
- Conveys a sense of identity to members.
- Serves as a control mechanism for employees in the organisation.

A strong, healthy organisational culture is consistent, with widely shared and makes clear how people are expected to behave in the organisation. In this type of culture, management spend considerable time communicating and reinforcing positive organisational values. The firm will tend to conduct business according to a clear philosophy, and there will be a careful selection of new employees to be sure they will “fit into” the culture.

Building on the healthy culture, a “performance culture” is a particularly positive form of organisational culture. It involves:

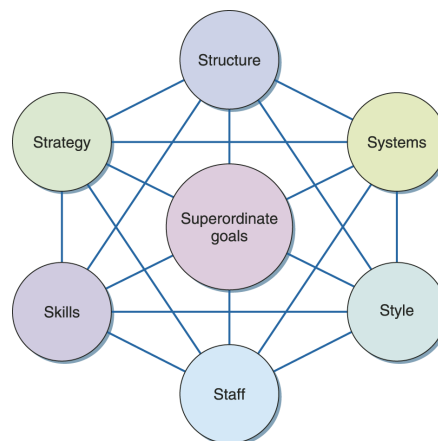
- A “can-do spirit” with a results-oriented work climate
- Strong sense of involvement by all employees
- Strong bias for being proactive, not reactive

The organisational culture in McCaughlan’s is likely to be a critical source of resistance to the needed change programme. Staff seem very “set in their ways”, and there has been too little staff turnover. This has led to complacency and a competitively unhealthy, weak organisational culture. It has undermined the level of staff and organisational performance as well as reducing the likelihood of introducing a successful change programme. Therefore the impact of organisational culture is likely to be one of the first critical issues that McCaughlan’s are going to have to address if it is to turnaround, even survive.

The change context in which McCaughlan’s finds itself does not give a high level of confidence that any change programme will have the resources, time or support necessary for it to succeed. Senior management, and in particular Sarah McCaughlan, will have to be aggressive in driving the change programme if the firm is to have the chance to stay in business.

As a starting point, the unhealthy, negative organisational culture pervasive in the three stores will have to be changed. If this does not happen, it is likely that any other changes implemented will simply not be sufficiently accepted. As the McKinsey Seven S Framework below illustrates all elements of the organisational are interlinked, so that changing strategy, structures and systems is unlikely to succeed unless the softer side of the organisation, values, style, skills etc are addressed. McCaughlan’s must quickly “reconstruct” itself if it is to survive, and it must start will reinventing its organisational culture.

### The McKinsey Seven S Framework



### Recommendations

Using the terminology of Lewin, McCaughlan’s must initially “unfreeze” the current situation, creating an energy and impetus for change. It is clear that the existing unhealthy culture is damaging the business. Initial steps in creating a momentum for organisational cultural change may include:

1. Meetings and presentations to staff to communicate the current situation. Management will need to be open and transparent and provide specific figures. Management will need to answer questions honestly.

2. Retrain staff to ensure that they understand the new roles that they must follow. In particular, training in customer service and customer interaction is critical. Reinforcement of this also critical; McCaughlan's cannot give the impression to staff that this is a short-term quick fix.
3. Constructing a limited voluntary redundancy scheme. This will provide the opportunity to revitalise the workforce with some new employees. New employees may change the dynamic on the shop floor.
4. Initial changes to reward structures, including praise for following new policies and training. A straightforward and inexpensive option is an "employee of the week" award.
5. If necessary, seriously consider closing the least profitable store.
6. Other symbolic actions that McCaughlan's may take to maintain change momentum include new staff uniforms and revamping, as much as funds will allow, the shop floor. Also, from both the staff and customer perspective, updating sales lines is important.

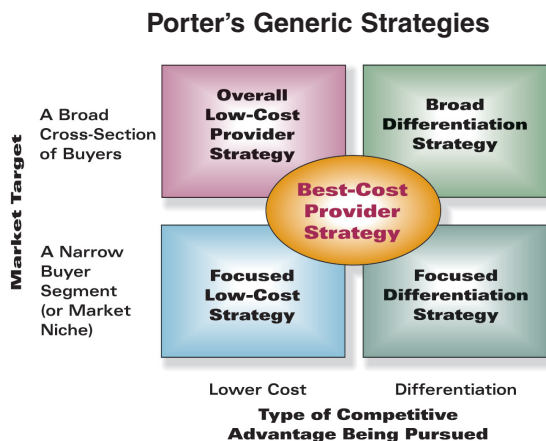
It will be a slow process to turn McCaughlan's around; however in the absence of cultural change, there is no long term future for the business. The above recommendations are starting points, but these need to be built on and reinforced over time. For example, changing hiring practices and criteria, adjusting remuneration structures, creating a new image in the minds of shoppers through repositioning, and investing in shop floor technology are all further, more long term changes that need to be implemented. However, these suggestions will be moot unless McCaughlan's can first change its organisational culture.

## SOLUTION 3

The report should include most of the following...

An effective strategic choice process positions a firm to make sustainable strategic decisions. A key choice that the organisation must make is how to create a competitive advantage: an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition. There can be numerous opportunities for building competitive advantages including the firm's product offerings, cost structure, distribution network, customer service and support, and so on.

A competitive strategy is the method by which a firm achieves a competitive advantage in the market. The firm's competitive strategy is the combination of competitive weapons it chooses to utilise to attack its market. Two useful models to understand the nature of competitive strategy are Porter's "Generic Strategies" and Bowman's "Strategy Clock". JMT Food Solutions will be able to use these models to frame its choice of competitive strategy.



Bowman's Strategy Clock model of competitive strategy extends Porter's three strategic positions to eight, and explains the cost and perceived added value combinations many firms use.

### Position 1: Low Price/Low Value

Point 1 on Bowman's Strategy Clock is the "no frills strategy". This tends to involve selling more basic, standardised products or services to price-sensitive customers. Not many companies want to be in this position, but rather it's a position they find themselves forced to compete in because their product lacks differentiated value. Unlike the differentiation strategy, this approach relies on cost and pricing as a means of attracting customers. JMT could potentially use this approach, however they have a service that is capable of being differentiated sufficiently to avoid competing only on price, and therefore this option should probably be avoided.

### Position 2: Low Price

Firms competing in this category are the low cost leaders. They balance very low margins with very high volume to drive prices down. If low cost leaders have large enough volume they can be a powerful force in the market. These firms manage all elements of the organisation to achieve low costs across everything they do, not just on the factory or shop floor. Penny's and Ryanair are two obvious Irish low cost/price success stories. JMT lacks the scale and the sales volume to pursue this strategy; in fact the industry is perhaps not suited to the needs of a low cost/price provider as there are probably insufficient buyer numbers to support this approach.

### Position 3: Hybrid

Hybrids offer "in-between" products or services; they sell reasonable products at a medium price. The price is higher than low cost producers and the product is not as good as the true differentiator. As Porter would suggest, sometimes these firms get "stuck in the middle", and do not achieve very high sales volumes. This approach is a possibility for JMT who have the capability to differentiate, but there is the inherent danger that the market will perceive the service as only adequate while the price is too high for that service.

### Position 4: Differentiation

Companies that differentiate offer their customers high perceived value. Research and innovation are central to this strategy as the company needs to be synonymous with quality as well as a price point. Branding is also critical: buyers must be aware of and buy into the price/image the firm promotes. To support the investment in research and branding the firm needs to sell higher volumes and achieve higher margins. This strategy is not suitable for JMT. Again, JMT

lacks the resources and scale necessary and the target market does not seem to have the sales volume potential to pursue this strategy.

### **Position 5: Focused Differentiation**

The focussed differentiation strategy seeks to obtain a premium price from the market for a relatively superior product or service. The objective is to become the “preferred product or service” for this limited group of buyers. The basis for differentiation may be almost anything, so long as it is valued by the market. Examples would include superior quality, expertise, wider product or service variety, longer opening hours, technical features, etc. This is another strategy open to JMT, as their target market is relatively small, “a niche”, and they seem to have the expertise to service the market very effectively.

### **Remaining Positions**

The last three positions on Bowman’s Strategy Clock are all failing positions.

- Position 6: Increased Price/Standard Product
- Position 7: High Price/Low Value
- Position 8: Low Value/Standard Price

In each of these approaches, the firm is charging a price that is too high for the perceived benefits of the product or service provided. As buyers recognise this, they will move to alternative providers, and unless the firm lowers its price or enhances its product, the firm will haemorrhage sales. JMT should avoid these approaches.

If the firm is to be successful in a niche strategy, the niche must be sufficiently large and expanding to generate profits. Similarly, there must only be a limited number of existing rivals specialising in the same niche, as by definition, the market size is limited. Lastly, the firm must have the resources and capabilities to effectively serve the niche, otherwise rivals will undermine the firm’s competitive position.

### **Recommendation**

JMT Food Solutions seems to have a clear understanding of the service it intends to provide and of its target market: consulting services to SMEs in the food processing industry, particularly in the Munster region. It is critical for a business to understand its boundaries; where it will compete and the services it will provide, otherwise it is in danger of drifting into being “all things to all men”. Therefore, JMT needs to establish clear limits on the service and geographic boundaries.

JMT Food Solutions should seek to compete using a Focussed Differentiation Strategy, point 5 on Bowman’s Strategy Clock. The owners of JMT Food Solutions have varied and complementary expertise and this will allow them to provide a wide range of coordinated services to clients. The firm’s USP should be its ability to deliver a tailored, “one stop shop” consultancy for SMEs in the food processing sector. Buyers rarely pay for value that is not perceived, so if it is to create a differentiated market position, JMT Food Solutions must deliver, and be seen to deliver, a high quality, effective service.

JMT Food Solutions need to ensure that they develop an in-depth understanding of the market niche they have identified, and develop the unique capabilities necessary to effectively serve this niche. While JMT Food Solutions should seek to differentiate its service, it will need to be cost and price conscious. SMEs are invariably price sensitive; when the firm provides a quotation it must be careful about its pricing. Therefore, JMT Food Solutions needs to keep its overheads as low as possible to avoid pricing itself out of business, while still using price to signal its high quality, effective services.

Going forward, to maintain its competitive position, JMT Food Solutions need to recognise the fluidity of competitive advantage. Those factors that allowed a firm to be successful in the past, will not necessarily lead to success in the future. JMT Food Solutions needs to become a learning organisation, evolving as its market and clients’ demands evolve. The firm must attempt to be recognised as industry leading experts in the field, differentiating itself from rivals via unique expertise. Ultimately, if JMT Food Solutions can reinforce that it is a source of “added value” for clients, continually enhancing clients’ performance, it should be a success into the future.

## SOLUTION 4

The report should include most of the following...

### Introduction

It is clear that leadership is an integral part of the overall management process. Unfortunately, there is much debate about the process and nature of leadership. There are almost as many definitions of leadership as there are persons who have attempted to define the concept! Generally, as defined by Richard Daft, “leadership is the ability to influence people toward the attainment of organisational goals.” While any individual is capable of leadership, organisational research tends to focus on managerial leadership, and this report will focus on leadership at the top of the firm.

Different leaders behave in different ways depending on their personality as well as their followers’ needs and the organisational situation. In the case of Driftwood plc and the current CEO, Mary Arkin, this certainly seems to be the case. The appointment of a CEO with such a calculated, cautious and procedural approach was clearly a response to the risky, visionary perspective taken by her predecessor. Ms Arkin’s tenure has been a relative success “solid, a safe pair of hands”. But her approach has had unintended side-effects, which if left unaddressed, has the potential to cause huge long term damage to Driftwood plc. The firm needs to harness the abilities, talents and enthusiasm of its staff if it is to be successful into the future.

There are a number of leadership theories that may be useful in informing the search for a new CEO. These include trait, behaviour, contingency, and transformational leadership.

### Leadership Theories

A critical component of what leaders bring to an organisation are their inherent traits. Personal traits are the relatively enduring physical, psychological and emotional characteristics of the leader. Initial research in the area was based on the belief that leaders were born, not made. A more current, and politically correct, view is that everyone has varying levels of necessary leadership traits, and that possession of them is not enough. It is how one uses them that matters. The sense today is more that leaders can be developed; they are not just born.

The largest issue with trait theory is that there is no accepted set of traits that can be linked to effective leadership. Current research suggests that earlier studies focused too much on the abstract personality traits and physical appearance of leaders, and that we should reflect on a broader set of components as a determinant of successful leaders. Kirkpatrick and Locke (1991) identify the following wider components of leadership:

- (1) **Drive**  
A high need for achievement, energy and ambition.
- (2) **Leadership motivation**  
The need for socialised power. The effective leader’s need for power is not unlimited; they seek power as a means to an end – the organisation’s goals, and are comfortable using power.
- (3) **Integrity**  
Integrity is probably the most important leadership characteristic. Leaders will only have followers so long as they maintain trust.
- (4) **Self-confidence**  
Set high goals for themselves and others. Leaders are confident that they can overcome obstacles.
- (5) **Emotional Maturity**  
This involves the ability to adapt one’s behaviour appropriately, and the ability to empathise and social skills. Leaders need to be calm under pressure and non-defensive.

These general leadership components do not guarantee leadership effectiveness. Nevertheless, Driftwood plc should be mindful of these leadership components when evaluating candidates for the CEO role, as possessing these does seem to increase the likelihood of a CEO having a more successful tenure.

The lack of a coherent profile of effective leadership traits, led researchers to move from looking at leader’s traits – what leaders have – to leadership behaviours – what leaders do. There are two fundamental categories of leadership behaviour:

### Task behaviours

- Emphasises roles and tasks
- Plans and schedules work

- Sets performance standards
- Builds procedures

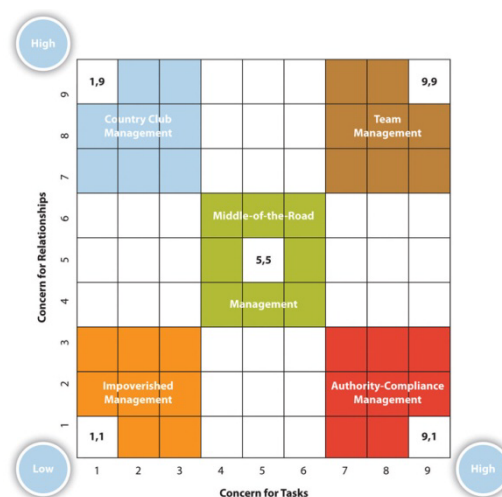
### People Behaviours

- Friendly
- Supportive
- Shows trust and confidence
- Concerned with employees' welfare

Well known research in this area includes research from Ohio State University and from the University of Michigan during the 1940s and 1950s. Building on the work of the Ohio State and Michigan studies, Blake and Mouton described a two-dimensional theory called the managerial grid (see below). Each axis on the grid is a nine-point scale, with 1 meaning a low concern and 9 meaning a high concern. For example, Team management (9, 9) involves a significant emphasis on both people behaviours and task behaviours. Team management is generally considered the most effective style because organisation members work together to accomplish tasks. On the other hand, Authority-compliance management (9, 1) occurs when efficiency in operations is the dominant orientation. Middle-of-the-road management (5, 5) reflects a moderate amount of concern for both people and production.

It seems that Ms Arkin may have invested more into task oriented behaviours and as a consequence has alienated staff. Similarly, it seems likely that her predecessor did not focus on the operational side of the business. Behavioural theory would suggest that Driftwood plc should seek to appoint an individual who has a history of combining both a strong emphasis on task behaviours and on people behaviours – a “team-leader”. This should allow the talent staff possess to develop, but within a structured environment.

Blake and Mouton Grid



A gap in both the trait and behavioural theories is that neither takes into account the organisational situation. Contingency Theories attempt to do just that: they conclude that leadership effectiveness depends on the situation or context in which the leader must operate. In other words, a leadership approach that may be successful in one organisation, or at one point in time, may not be successful in another organisation or another point in time. Two well-known contingency theories are Fielder's Leadership Contingency Theory and House's Path-Goal Theory.

House's Path-Goal Theory emphasises the leader's responsibility to increase staffs' motivation to attain personal and organisational goals through:

- Helping staff identify and achieve their goals.
- Clearing obstacles, thereby improving performance.
- Offering appropriate rewards along the way.

The theory identifies four useful types of leadership to achieve this:

- **Supportive leadership:** This focuses on relationships, and sensitivity to individual team members' needs. This leadership style is best when tasks are repetitive or stressful.



- Directive leadership: This focuses on communicating goals and expectations, and assigning clear tasks. This style works best when projects are unstructured and complex, or when team members are inexperienced.
- Participative leadership: Here the focus is on mutual participation. Leaders consult with the team, and consider their ideas and expertise before making a decision. This approach works best when team members are experienced, when the task is complex and challenging.
- Achievement-oriented leadership: This focuses on setting challenging goals for the team. The leader has confidence in the team, and expects them to perform well. This style works best when team members are unchallenged in their work.

Path–Goal Theory assumes that leaders are flexible and that they can change their style, as the situation requires it. The CEO of Driftwood plc will lead an experienced top management team, and in that context, it would seem a combination of participative leadership and achievement-oriented leadership is likely to be the most effective. The firm should seek to appoint an individual who has the capability of combining these approaches in their role as CEO.

A more recent, and last theory of leadership that may usefully inform Driftwood plc's decision is that of Transformational or Charismatic Leadership. Transformational leaders seek to inspire and motivate people beyond their normal levels of performance. They bring about innovation and change by recognising followers' needs and concerns, helping them look at issues in new ways. Transformational leaders inspire followers to believe in their own potential to create a better future for the organisation. They strongly utilise intangible qualities such as vision, shared values, and ideas to build positive relationships, and find common ground to enlist followers in the change process. The theory suggests that transformational leadership skills can be learned and are not based on ingrained personality characteristics.

The leadership characteristics of the transformational or charismatic leader seem to fit closely with the concerns facing Driftwood plc. The subdued motivation and the talented, but constrained staff, should respond positively to the transformational leadership style. The firm should use the general characteristics of transformational leaders as a guide when evaluating candidates for the CEO role.

## **Recommendations**

There is no accepted, unified theory of leadership. Each of the theories presented in this report have strengths and weaknesses, but all provide some level of insight into the complex nature of leadership. Mindful of both the existing leadership issues in Driftwood, and the problems created by errant leadership in the past, the Board need to be very careful to appropriately balance the leadership characteristics they are seeking. As highlighted in this report, the new CEO will need to bring a variety of traits, competences and skills to the role. They will also need to be adaptive in the leadership style they utilise. In light of the immediate leadership issues, including staff morale and engagement, facing Driftwood plc, the new CEO will need to have very strong people skills and orientation. The new CEO will need to create a culture where staff are engaged, motivated and given the space to leverage their talents for the firm.