

Suggested solutions

Task 1

(a)

To: John Anderson

From: The business analyst

Ref: Critical evaluation of the proposal received from Ceelandian Government

Introduction

This report aims to critically evaluate the proposal received from the government of Ceelandia. The report provides a detailed account of the information available and probes into various assertions made therein. The report also includes my recommendation of the possible course of action.

Issues and concerns

- Economic situation in Ceelandia: It is claimed that Ceelandia has posted fast growth after a sustained period of recession. This needs to be supported with the authentic economic data such as GDP and per capita growth rates for the last few years. Also, the claim about the robust economic growth in the coming five years needs to be substantiated.
- Better margins and RoA: It is essential that the margins and RoA (12%) indicated in your note is supported with financial evaluation after careful consideration of important variables, without which the financial feasibility of this proposal cannot be established.
- EV industry-friendly policies: It seems these policies are not yet announced, as they are termed as 'promise' by Ceelandian government. It may take considerable time to get actually implemented. Although, the Ceelandian government has made the budget allocation, the sufficiency of the funds needs to be checked.
- Sustainable growth: Although there is awareness in Ceelandia about sustainable growth, whether it would get immediately translated into growing demand for sustainable products is doubtful unless proven with facts and figures.
- Resources on supply side: While availability of skilled manpower is a welcome sign, it may take some time for them to get to the level of quality & productivity as expected by VTM. Also, the quality and reliability of component suppliers has to be established before a final decision on sourcing is made, although there's some evidence that some of the suppliers are exporting the components.
- Changing customer preferences: There is a positive shift in customer preferences within Ceelandia. However, customers are expecting a range of 300 km per charge, which is higher than what VTM is currently providing for its compact cars. Further, the current demand is restricted only for one model that VTM has. In addition, it needs to be seen whether VTM can maintain its Ceelandia prices within the expected range to ensure 'better' margins.
- Likelihood of additional contracts: This is only a possibility without any guarantee and there's uncertainty about the timelines. The Ceelandian government has not provided any guidance on this.
- Non-exclusive arrangement: VTM may face competition in Ceelandia, as the proposal is non-exclusive. VTM is not likely to get any preferential treatment from the Ceelandian government.
- Operating in overseas countries: Since its inception, VTM has been operating only within Corlandia and does not seem to have any exposure to operating in an environment which may not be similar to its own area of operation. This may have additional risks involved, which may need to be identified and assessed.
- Political uncertainty in Ceelandia: There is evidence that the political scenario in Ceelandia is not stable due to frequently changing ruling government. This is a serious threat to continuance of promised policies, incentives and other benefits. Considering the long-term nature of this investment, we should exercise caution.
- Charging infrastructure: This is one of the most essential parts of the EV-industry eco-system. Without a readily available charging infrastructure, the sales revenue may grow slower than expected.
- Strong trade unions: Although the existing industrial relations do not pose any immediate concern, VTM should be careful to draft its HR policies according to the local practices within

Ceelandia to avoid any disruptions from the trade unions. The financial impact of this merits evaluation.

- Re-location of town: There could be agitations and protests by the residents of the small town which would be relocated to pave the way for the manufacturing facility. This may affect the construction work and could result into time and cost over-runs.
- Financial considerations: We need to prepare a detailed financial evaluation of this proposal in addition to consideration of the other non-financial concerns as explained above. The financial evaluation should include the NPV calculations under specific assumptions, cost of capital and the basis for forecasting demand, revenue, costs, initial investment required and the source/s of funding. It is also essential to understand if there are restrictions on profit repatriation from Ceelandia to Corlandia.

Recommendation:

As can be seen from the discussion of various claimed benefits and the likely challenges, I recommend that we move with caution. Although we will be dealing in the same products that we currently deal with, we would be embarking on untried waters. I suggest we communicate officially with the Ceelandian ministry of transportation to get certain information which will clarify the doubts raised above. We could also initially try and export some quantity to Ceelandia to test the market there. Of course, there could be threat that some of other domestic competitors also might have been approached by the Ceelandia government with similar offers. We should gather some market intelligence on the same, so that we do not lag behind.

(b)

Note to the CEO

Ethical implications

VTM is committed to ethical values and has explicitly mentioned it as a part of its mission, vision and values. The company should be very careful in making its choices regarding decisions that could potentially pose as ethical threats.

The CEO has made it clear that he personally knows the senior official in the ministry of transportation of Ceelandia, who could influence the decision in favour of VTM. This is typically a familiarity threat. This could probably result in a personal benefit to the official as well as John Anderson. John is the member of the Board of Directors and thus has a fiduciary duty toward the shareholders. He would fail in his duty in case he uses the personal contacts.

It is not clear whether the one-time payment of \$2.5m is an official payment. If it is a personal payment to the official, it would be the breach of integrity and would also be in the nature of unprofessional behaviour.

In addition to the personal damage caused to the official as well as the CEO; VTM may suffer substantially from this unethical behaviour which could cause following major implications. These consequences may not be immediate, but could have long-lasting far-reaching effects.

- a) There is no guarantee of the contract getting awarded to VTM even if the payment is made to the official. This would mean a business loss for the company.
- b) There would be sufficient ground to believe that the payment may mean personal benefits to both i.e., the senior official of the ministry in Ceelandia and also the CEO of VTM.
- c) If and when the issue of such payment surfaces, it could bring disrepute to VTM and seriously damage the brand it has developed over the years. It will be very difficult for VTM to rebuild its image and reputation.
- d) It is possible that VTM may lose its trust among the stakeholders, particularly, customers and suppliers that could further cause loss of business. It could strain the existing relationships that would be difficult to sustain.
- e) It could act as a serious loss of confidence of employees, which in turn could cause higher employee turnover. It could lead to an unhealthy work environment.

- f) The company may face legal and other penal consequences in the country of Ceelandia. This may shut doors for any future business opportunities in Ceelandia for VTM. If the company is black-listed by the Ceelandian government, it may be difficult for VTM to clinch any contracts in other countries as well.
- g) VTM has recently obtained listing. As the news of unethical behaviour at the Board level comes out in the public domain, VTM's share price may get hit causing loss of value for the shareholders.

VTM should exercise caution when initiating any dealing like this and should approach the ministry proposal on the basis of merit rather than influence.

Task 2

(a) Briefing note for the attention of the CFO

Sub: Discussion on benefits of a business case and its contents in relation to the swappable battery project

Undoubtedly, as described by the CEO, the swappable battery project could be a path-breaking achievement for VTM. Currently, the competitors in the EV industry operate with similar technologies of chargeable battery. But with this project, VTM will bring in the product differentiator that could offer it a significant competitive advantage. However, as the technology is still primitive VTM needs to move carefully.

It is good that the proto-type is very near to achieve approval from the BST. But to implement and operate this new technology in the Corlandian market, VTM should adopt sound project management principles. This highlights the need for the business case document.

When considered for the swappable battery project, the business case document would bring the following benefits to VTM:

- It will bring clarity of purpose as to why this project is being pursued. A clearly defined purpose would mean a good beginning to a better project management. It would highlight the justification for undertaking a pioneering technology in the EV segment.
- This document will form a sound basis for decision-making, given that the technology involved would be used for the first time in Corlandia's EV market industry. Based on this document, it will be possible for the decision-makers to have a holistic idea of the entire project.
- This document will enable VTM board to assess whether the battery project will be in alignment with its existing strategies. This will facilitate the process of the project approval without any misunderstanding.
- The business case document would help understand specific challenges and risks ahead of implementation of the swappable battery project, so that the management could be well-prepared to decide their risk responses.
- It will be possible for VTM to identify and quantify (to the extent possible) various financial and non-financial benefits for various stakeholders related to this project.
- Based on the scope of the project outlined in the document, VTM would be able to allocate financial and other resources for the timely implementation of the project.

Given the benefits of the business case document, VTM should take care in drafting the contents thereof as it will provide sufficient objective information to the decision-makers. A business case document typically includes several key sections and contents to provide a comprehensive and structured justification for a project or initiative. Considering the nature and complexity of the swappable battery project, the broad contents of this document for a cutting-edge technology project like this are suggested as follows:

- Executive summary – This is an overview of the entire project highlighting the entire purpose, benefits and key considerations. This is designed to provide a quick overall understanding of those in charge of decision-making.

- Introduction – a brief on why this project is being undertaken. It is possible to highlight that the swappable batteries would replace the existing chargeable batteries of all the four models of EV offered by VTM. It could thrust the focus of adopting a pricing strategy that decouples the battery price from that of the vehicle price.
- Project description – this will include the scope, objectives and deliverables. This will focus on describing the inbound and outbound logistics, operations and repair services to be offered to customers including the description of the battery swapping centres. It would also deal with how VTM plans to manage the used batteries through re-cycling and waste management.
- Alignment with the goals – the document would explain how this project aligns with the existing mission, vision, values and strategies of VTM. It could mention that the project would support the mission of revolutionising the transportation industry, promoting sustainable mobility and the vision of inspiring positive change. It would also align with the value of striving for breakthrough innovations.
- Market potential – in the market where competition is tough, VTM needs a solution that helps it win over the competitors by differentiating the offering. The business case document will focus on this to assess the 'first-mover' advantage for VTM. The stakeholders would appreciate a section that highlights the estimations about the market potential with the help of this differentiating product.
- Cost-benefit analysis – this section of the document will provide the financial justification of the battery project. It will provide details of initial investment, working capital requirement, operating costs, revenues, margins and cash flows. It will also include the estimates of cost of capital, gearing and the financial parameters such as payback and NPV. This will enable the understanding of how much financial value this project is likely to create.
- Risks and mitigation – as the market will use the swappable batteries for the first time, it is justified to include details of various risks that VTM is likely face. This section will highlight identification, assessment (likelihood and impact) and the risk responses. This will help the VTM top management to be aware of things that may go wrong and also of the remedial measure that are being put in place. The risks related to safety of customers and vehicles are important in particular.
- Governance and project management – this section would provide the details of the project sponsorship, framework of project management, resources allocated, and project implementation team. It will provide the framework for monitoring and control of project activities and periodical reviews to ensure that time & cost over-runs could be avoided.

Wherever required, the business case document information will be supported with assumptions, data charts, references and sources of data collected, accuracy and completeness of the information.

(b)

Briefing notes that discuss the challenges and risks of the swappable battery project

A forward-thinking project with the state-of-the-art technology like swappable batteries to be used in the four models of electric cars manufactured by VTM cannot be forthcoming without challenges and risks. A careful consideration of these is required so that they can be identified and mitigated. These briefing notes highlight the challenges and risks that may be

- Faced while implementing the project and
- Faced during subsequent operations

Implementation phase

- Technical feasibility risks – this risk seems to be minimal for VTM because the prototype batteries are in the final stage of approval from Bureau of Science & Technology (BST). Such approvals are normally granted only based on a thorough testing under various conditions like road conditions, terrain, climate etc. however, it is mentioned that VTM will have to adhere to the terms and conditions as laid down by BST. There could be an element of risk at this stage. The impact and likelihood of this risk could be assessed only with reference to the terms and conditions as specified by the BST.
- Battery standardisation for all models – currently, it seems that VTM has come up with four different batteries, one for each type of car sold by them. There could be a risk that the market may demand

a standardised battery. If this demand come up, VTM will have to invest afresh to standardise all its batteries. The impact and likelihood of this risk could be medium to high.

- Pricing of swappable battery – there is no existing norm about the prices of these batteries, as they are being launched in the market for the first time. so, VTM could face the risk of not being able to correctly price the battery. Too high a price would mean lower customer acceptance and too low a price would mean lower margins. The price risk may have initial high impact as well as high likelihood.
- Vehicle and customer safety – although VTM would have taken care while making the proto-types, it is understood that Corlandian government is likely to mandate the norms for safety. The risk is imminent if these norms differ from those followed by VTM currently. This would again require them to invest funds to realign according to the new ordinance. The likelihood of this risk is high, but the impact could range from medium to high depending upon the conditions mandated.
- Manufacturing capacity to scale-up – this risk refers to an upside risk if the demand for EVs with swappable batteries is way more than anticipated. At the moment there is no evidence that it would happen. Hence, the risk could be considered to have low impact as well as possibility.
- Modifications required in the EV design – the CTO has confirmed that little modifications in the EV design would be required as a result of using the swappable batteries. Hence, this risk is identified as having low probability and low impact.

Subsequent operations phase

- Battery replacement centres and network – the risk may originate if the geographical coverage is not sufficient enough and the network is weaker. However, it would be relatively easier for VTM to set up the centres at the partner charging stations currently in use. The replacement outlets will require minimal investment but sufficient inventory to take care of customer needs. This risk is considered as having lower impact but higher probability.
- Customer awareness and training – it is custom for any organisation to create customer awareness about any new product that is being launched. VTM would have prepared itself for this as it wants to benefit from increased revenue and profits from this forward-thinking project. Hence this risk could be of low impact and likelihood. The only limitation could be the medium that VTM uses for its existing and potential customer to communicate.
- Waste management & battery recycling – VTM would be manufacturing these batteries for the first time on a large scale. Managing wastage during the production phase and recycling of used batteries (either for recharging or end-of-life recycling) could pose challenges. VTM should create a proper structure for ensuring the manage the wastage and also a process for collecting used batteries submitted at the replacement centres. This is more of a challenge than a risk. It should closely monitor the entire process.
- Technology to provide alerts to customers – it is learnt that the customers would require alerts to be given to them when the battery is about to get discharged and the location of a nearby centre where they could replace it. This may require initial high investment for VTM and substantial operating expenses and monitoring on the accuracy of the alerts, as this could be directly linked to the customer satisfaction levels. This challenge could have high probability but low relative impact if the system is properly set up.
- Scare from duplicate batteries – although not a immediate threat, but with time the market could distribute duplicate replaceable batteries. This is a very high-risk area with a high potential impact. It requires strict patent control and operating controls.
- Battery availability at centres – customers cannot be kept waiting for batteries at the replacement centres. If the batteries are not available, customer would instantly loose mobility. This is a high-risk, high-impact item and calls for appropriate inventory management based on the number of different car models running in the market.
- Technology risk – the technology of designing and manufacturing replaceable batteries could keep on changing and hence VTM could be facing disruptions caused by technology. This challenge would be big as any new technology adoption could be highly expensive.

Task 3

(a)

To: John Anderson

From: The business analyst

Ref: Integrated reporting framework for VTM

Introduction

This report aims to suggest a framework for integrated reporting that our company is planning to implement for ensuring that the stakeholders are properly engaged. Given that we are a listed company now, the framework will ensure a holistic view of performance and the value created for different stakeholders. I have considered the summary report data that we are using at the moment. The suggested framework will, hopefully, help us in achieving the objectives.

Integrated reporting for VTM

Integrated reporting is a reporting approach that aims to provide a more holistic and comprehensive view of a company's performance and value creation by integrating financial and non-financial information into a single report. This reporting framework goes beyond traditional financial reporting, which typically focuses on financial statements such as income statements, balance sheets, and cash flow statements. Although, currently we are reporting some non-financial parameters, it's not as comprehensive as it should be.

Considering the nature of our business, I recommend the following framework for our integrated reports:

- Organisational overview & business environment – this section would provide overview of VTM namely, the year of establishment, our product range (four models offering on-road and off-road mobility), successes achieved in the market, our competitive position, our R & D strength that has given us a cutting-edge advantage. It would also contain a brief about our customers, distribution network and supply-chain for bought-out components.
- Governance, mission & vision – this section would contain our board structure highlighting the capabilities, diversity experience and independence of our board members. This would help our stakeholders understand the quality of leadership that VTM demonstrates. The key elements that could be picked up from our mission & vision statements could be our focus on quality, technology, sustainability, innovation, quality and ethical & inclusive approach to business.
- Strategies & resource allocation – this would include a commentary on how our strategies are focussed on achieving our mission and objectives. This would communicate to the stakeholder how do we support value creation by ensuring efficient resource allocation.
- Business model – this section would explain how VTM creates value for its stakeholders. Here, the focus will be on VTM's key resources, main business processes, outputs and outcomes. The business model will contain performance reported on six types of capital.

The suggested performance reporting would be as follows. For each type of capital, the approach is to identify key inputs, the activities carried out for proper utilisation and control thereof and the KPIs used to reflect upon the performance regarding these types of capital. The performance report summary currently being used does contain some of the performance parameters, but needs some more for comprehensive reporting for different stakeholders.

Financial capital

Inputs – total equity (including reserves), long term debt and amount invested in business

Activities – prioritising investments into various projects

Outputs (KPIs) – financial KPIs such as revenue, gross & net margins, other key financial ratios

Manufacturing capital

Inputs – number of main manufacturing plant, battery production facility and R & D centres throughout Corlandia

Activities – assembly lines, designing, laboratories, testing

Outputs (KPIs) – number of EVs produced model-wise and sold, utilisation ratios, improvement in productivity from robotic applications

Intellectual capital

Inputs – technology patents applied, number of new designs under development, R & D expenditure as % of revenue

Activities – innovation in design and production processes

Outputs (KPIs) – new patents granted, number of approvals from BST

Human capital

Inputs – number of people (could include diversity, competencies, experience), number of training hours, upskilling index

Activities – managing recruitments, retention, training & developments, talent management

Outputs (KPIs) – employee turnover, employee satisfaction index, variable pay as a % to total remuneration

Social & relationship capital

Inputs – memberships of EV manufacturing forum, communities, trade associations within Corlandia

Activities – managing relationships with customers, distributors, suppliers, BST and such similar organisations, CSR activities

Outputs (KPIs) – customer satisfaction index, delays in deliveries, customer complaints, range travelled in one charge, number of families benefited from CSR activities

Natural capital

Inputs – natural resources used by VTM like water, power, and other forms of energy in its production & distribution process

Activities – managing and controlling consumption of various forms of energy, energy re-cycling, wastage management

Outputs (KPIs) - % of power consumed from renewable sources, % carbon emissions, reduction in carbon emission, % of water re-cycled

(b)

Slide 1

Board Committee	Brief role
Audit committee	Ensuring financial integrity and transparency to protect interests of shareholder through governance mechanism
Nominations & remuneration	Ensuring the board effectiveness by overseeing appointment of board members and aligning executive compensation
Risk management	Proactive management of key risks facing VTM to ensure long-term sustainability
Stakeholders' relationship	Overseeing the engagement with key stakeholders to build & maintain trust and reputation of VTM while addressing their needs & concerns

Supporting notes:

VTM currently does have a well-diversified board. Three out of the total eight members are non-executive (independent) directors. It will be necessary to identify members from this list to head each of the above committees and also to decide the composition of each committee.

Role of Audit committee

This will be a mandatory board committee according to the regulations in Corlandia for all the listed companies and it will need to be headed only by an independent director. In fact, it would be better that VTM includes only non-executive directors on this committee to ensure independence & objectivity. VTM may need to induct a new non-executive board member with expertise & experience in finance (although not mandatory) to head the audit committee.

The control areas to be overseen by the audit committee of VTM will be financial reporting, external and internal audit oversight, handling financial improprieties, compliance & legal matters. It is possible that this committee also oversees the functioning of risk committee as the risks will have financial repercussions.

Role of nominations & remuneration committee

VTM must ensure the effectiveness of the board in the long-term, this committee will help in identifying candidates for induction on the board, with relevant skills, qualifications and experience. They will ensure succession planning by keeping a pipeline of qualified individuals to fill in the board vacancies. This committee will also devise executive remuneration strategy including pay packages, bonuses, stock options and other forms of remuneration.

Role of risk committee

To be headed by non-executive director, this committee will oversee the entire process of risk management including risk identification, categorisation, assessment, deciding risk responses for mitigation and control. It would also ensure proper communication to other board members and top management team to build appropriate risk culture within VTM. This committee could be headed either by David Lee or Robert Evans, both of whom have prior experience in automotive industry.

For VTM this committee would play a critical role given an increasingly complex and uncertain business environment. By proactively identifying and managing risks, the committee contributes to the organization's long-term sustainability and success while safeguarding the interests of stakeholders.

Stakeholder relationship committee

The committee facilitates transparent and effective communication between VTM and its stakeholders. It ensures that stakeholders receive timely and relevant information about the company's activities, performance, plans and could also seek their feedback. It would help VTM to meet its social and environmental responsibilities, including sustainability initiatives and corporate social responsibility (CSR) programs. This committee of the VTM board may be headed by Catherine Johnson who has relevant governance expertise.

By actively engaging with VTM stakeholders and addressing their needs and concerns, the committee would ensure achievement of the broader objectives while fostering positive relationships that benefit all parties involved.

Slide 2

Stakeholder group	Engagement plan
Shareholders	Investor meets, investor calls, roadshows, grievance forum for addressal, regular reporting mechanism, addressing specific needs of institutional shareholders
Customers	Key customer account process, customer meets, surveys & feedback, complaint handling process, training forums
Government	Compliance and reporting, participating in industry forums, liaising with regulatory bodies to adhere to terms & conditions
Employees	Periodical performance reviews, satisfaction survey, forum, townhall meets, focussed group discussions

Supporting notes:

The overall engagement perspective

VTM should identify the needs & concerns of each stakeholder group based on which a relevant engagement plan could be worked out. It is better to categorise the stakeholders based on the level of interest they have in VTM's activities and the extent of power which they have to influence decision-making & performance of VTM. The engagement plan would be different for different categories of stakeholders.

Shareholder engagement plan

Post-listing, the shareholding pattern of VTM has changed. Although Sarah Voltaire continues to be the largest individual shareholder, the shareholder base has widened. VTM should, therefore, devise a proper engagement plan to foster relationships with them, to ensure their support. This group will have a high level of interest, but all shareholders may not have same level of power to influence. For those with lower power, it is better for VTM to keep them satisfied and engage them through frequent

reporting. For those having higher power, VTM could seek their active participation e.g., by offering a board position for them. The integrated report will be the best possible way of communicating the financial as well as non-financial performance.

Engagement plan for customers

Customer generally have a high level of interest, but relatively lesser power. However, in a highly competitive market in Corlandia, where the cost of switching is low and customers have wide choice; VTM will need to keep its customers satisfied not only by ensuring quality, deliver and price; but also, by ensuring that they stay loyal to the VTM brand. The overall objective could be to keep the customer satisfaction index improving. The key customers (such as fleet owners and institutional buyers who purchase in bulk) should be on a continuous radar. They should be directly engaged through personalised contacts to communicate about the new upcoming EV models, the new launches e.g., of the swappable batteries. VTM may collect vital feedback on the vehicle performance and customer service. VTM should be particularly careful about the rising trend in customer complaints and delivery delays.

Engagement plan for government

In general terms, the government would have limited interest and power in the business of VTM. The EV business in Corlandia may be subjected to various regulations which VTM should strictly adhere to. It is better to have a deep understanding of the policies, regulations and political climate. VTM could engage with the government bodies, agencies, departments & ministries through participation in public consultations on the EV industry. Collaboration with the BST for research will also be helpful.

Employee engagement plan

VTM has over 3000 employees. The performance summary report indicates that the employee satisfaction index has been consistently falling. This may be due to lack of a proper engagement plan. Employees generally have a high level of interest, but relatively lesser power. But dissatisfied employees will adversely affect VTM's performance. Apart from industry standard compensation packages, VTM may come up with engagement plan that includes periodical communication of strategies & plans, expectations, training & development. Employee empowerment could be booster for performance enhancement.