NOVEMBER 2025 PROFESSIONAL EXAMINATIONS
STRATEGIC CASE STUDY (PAPER 3.4)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINER'S GENERAL COMMENTS

The overall performance of candidates in the November 2025 Strategic Case Study (SCS) paper was lower compared to the July 2025 sitting. One possible explanation for this decline is that, although the November paper tested candidates on the usual strategic areas, many appeared unprepared and did not anticipate such questions.

The examination assessed candidates on several key models and frameworks, including Value Chain Analysis, the Boston Consulting Group (BCG) Matrix, Burns and Stalker's Contingency Theory, Levers of Change, and the fundamental principles outlined in the National Corporate Governance Code for Ghana (2022). These are core areas within the syllabus, and candidates were expected to demonstrate a sound understanding and practical application of these concepts.

STANDARD OF THE PAPER

The paper was prepared to a high standard, consistent with the prescribed syllabus coverage, content, weightings, and mark allocation. The case study centered on the engineered wood products industry, a sector that appeared relatively unfamiliar to many candidates. Despite this, the case study was presented with clarity and simplicity, enabling candidates to understand the operational, strategic, and corporate governance issues affecting the company.

The requirements of each question were clearly stated. In some cases, the examiner offered preamble by highlighting specific concepts and principles to be applied in responses. Candidates with a sound understanding of the relevant principles and concepts were able to comprehend and address the requirements without difficulty.

PERFORMANCE OF CANDIDATES

The overall performance of candidates in this sitting was notably weaker compared to the July 2025 examination. Given that the questions were set to the standard expected for the Strategic Case Study (SCS), it was anticipated that candidates would maintain or improve upon their previous performance. Unfortunately, this expectation was not met.

A recurring concern is the persistent lack of adequate preparation among candidates. Despite repeated emphasis in previous examiner reports on the importance of thorough preparation, many candidates continue to approach the examination without sufficient engagement with the syllabus content. This trend is clearly reflected in the poor performance recorded in this paper.

NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES

Regarding the paper, candidates demonstrated strengths and weaknesses as follows:

Strengths

- Most candidates were familiar with Michael Porter's Value Chain Analysis and were able to demonstrate their knowledge of the specific activities they were required to explain and the weaknesses confronting the Company in performing those activities.
- The Burns and Stalker's model of contingency theory of management was generally well applied by the candidates as it pertains to the management styles and approaches of Mr. and Mrs. Turkson respectively. The differences between mechanistic and organic organisational structures of the model were generally identified and explained by the candidates.
- Candidates favourite area where majority scored high marks and which averted disastrous performance was the corporate governance. The five of the thirteen fundamental principles of corporate governance enshrined in the National Corporate Governance Code for Ghana 2022 were well used to evaluate corporate governance of EWL. Again, candidates ably explained the corporate governance of EWL using five of the seven key corporate governance issues.

Weaknesses

- Candidates demonstrated a significant lack of knowledge regarding the range of strategic decisions an organization can make and their application to EWL, as outlined by Johnson, Scholes, and Whittington. This is particularly concerning, as strategic decisions form the foundation of strategy, the core subject of the Strategic Case Study.
- A majority of candidates exhibited no understanding of the Boston Consulting Group (BCG) Matrix, despite it being one of the most widely recognised models in corporate strategy for evaluating the performance of Strategic Business Units (SBUs).
- Furthermore, an overwhelming number of candidates were unable to explain the six principles of strategic positioning in relation to Michael Porter's generic competitive strategies, namely cost leadership, differentiation, and focus strategies.
- Surprisingly, candidates were unable to discuss the levers of change, factors that facilitate organizational change, and how these could be applied by EWL to implement its online system.
- Given that the Strategic Case Study is the final paper at Level 3, it is expected that candidates possess a thorough understanding of fundamental financial management concepts, including various types of debt such as straight debt, convertible bonds, and bonds with warrants. Unfortunately, many candidates demonstrated significant weaknesses in explaining these instruments.
- Additionally, candidates were unable to apply the three components of foreign currency risk (transaction risk, economic risk, and translation risk) to practical scenarios involving risks faced by EWL.
- Poor handwriting remains a significant weakness among some candidates. Illegible scripts pose considerable challenges during marking and may adversely affect the assessment of responses. Candidates are strongly advised to make a conscious effort to improve their handwriting to ensure clarity and readability.

Engineered Wood Limited (EWL)

Engineered wood products manufacturing and distribution
Engineered wood products are a category of wood-based materials that are manufactured by binding or fixing wood strands, particles, fibres or veneers together with adhesives to form composite materials. These products are designed to improve strength, stability and usability compared to natural solid wood. The main types of engineered wood products include plywood, oriented strand board (OSB), medium-density fibreboard (MDF), high-density fibreboard (HDF), particle board, laminated veneer lumber (LVL), glulam (glued laminated timber) and cross-laminated timber (CLT). These products are essential for construction, structural framing, cabinetry and furniture, wall panels and cladding, flooring and decking, packaging, doors and window components and interior design applications.

The global production of engineered wood products represents an important component of the broader forestry and wood products industry. The engineered wood industry is mature yet dynamic, driven by global construction booms, furniture demand and sustainability initiatives. The engineered wood market was valued at approximately USD198.04 billion in 2024 and is projected to reach USD284.19 billion by 2030, growing at a compound annual growth rate (CAGR) of 5.9% from 2025 to 2030.

Global production volume is estimated at 415.99 million cubic meters in 2025, projected to reach 482.24 million cubic meters by 2030 at a CAGR greater than 3%. This growth is fuelled by demand in residential and commercial construction, which accounts for over 50% of consumption. Asia-Pacific dominates with over 50% market share, led by China (producing approximately 60% of global panels), due to rapid urbanisation and furniture exports. Europe and North America follow, with shares of 25% and 15%, respectively, emphasizing sustainable products.

The Global Engineered Wood Industry
The industry is consolidated in production but fragmented in distribution, with barriers to entry into manufacturing segment favouring large players. Entry into the manufacturing segment is characterized by significant barriers, which tend to favour established, large-scale players. Key entry barriers in manufacturing include substantial capital investment, estimated between USD 50 million and USD 100 million for a modern production facility, restricted access to raw materials due to regulatory controls on timber supply, and stringent environmental compliance requirements. Incumbent firms benefit from economies of scale, enabling them to reduce average production costs by approximately 15%. This cost advantage presents a considerable challenge for smaller or new entrants seeking to compete effectively within the industry.

The industry depends on several suppliers to provide required inputs for production process. The suppliers include timber or log suppliers, resin/adhesive manufacturers, and energy providers. The industry is facing concentrated suppliers who can command higher prices for the inputs, and this is further pushing up the cost of production and reducing the profit margins of engineered wood producers as they face competition and must reduce prices to drive demand. Further, the suppliers of the timber logs are increasingly entering production segment thereby further increasing their power.

The critical role being played by the industry means that there are several buyers that depend on it to meet their needs. Furniture manufacturers, construction firms, wholesalers and retailers are among the various buyers who patronise the industry's products. Large buyers negotiate bulk discounts, with furniture sector holding leverage. Over the years, some buyers have successfully ventured into manufacturing of engineered wood to meet their demands. The products are generally regarded as standard which can be obtained from multiple sources in Europe, America, Asia and Africa to some extent.

Engineered wood products are not the exclusive input materials available in the construction and furniture sectors. Consumers can resort to metal panels, plastics, composites, such as bamboo, recycled plastic, and gypsum boards for construction, aluminium or vinyl for furniture cladding. These alternative products offer durability, fire resistance but are costlier and are less aesthetic. The global movement towards sustainability supports green buildings which favour wood, but regulations boost alternatives. There is price war in the industry and intense competition among manufacturers seeking to attract wholesalers and bulk consumers across the world.

Trends in the Global Wood-Based Panels Manufacturing Industry

With India, China, and Southeast Asia developing at such a rapid pace, the construction industry is increasingly requiring more wood-based panels, for commercial and residential buildings, and for industrial purposes as well. Developing nations especially require wood-based panels for the construction of bridges, roads, and houses because of their massive infrastructure and urban development investments. On the other hand, developed markets like the United States of America and Europe get the most value out of wood-based panels through renovation and remodelling activities in the construction of sustainable energy efficient buildings.

The panels are also gaining importance in the field of interior design due to their beauty. Today, consumers and companies are more concerned with the environmental impact of their activities which have increased the demand for green products. Panels made from wood, especially those crafted from reclaimed wood, are seeing significant adoption. This is noticeable in the manufacturing of furniture and new houses where MDF, OSB, and particle boards made from certified timber or post-consumer wood are gaining popularity. According to the European Panel Federation (EPF), about 30% of wood-based panels in Europe are produced using reclaimed wood, signalling how the field is becoming more sustainable.

MDF and plywood are also used in the moulds for car interiors, daily use furniture, and some other wooden products. At the same time, there is a market in packaged boxes, crafts, and pallets, which are built out of wood particle fibre boards, and medium density fibreboards. Wooden packaging products are lightweight and cheap. With the boost of global trade and online shopping, there is now a higher need for wooden packaging items, which in result, creates more value and profit for the companies that engage in wood-based panel market.

Digital technological advancement dominates the 21st century and it is now possible to flawlessly modify wood furniture designs such as colour, texture, thickness, and overall size. The rise of online commerce giants brought new orders to these industries. New designs require new furniture, which motivates designers to create new concepts of furniture. As for manufacturers, they have an opportunity to utilize this advance in digital technology as sewing software nowadays permits furniture designers to focus on more advanced industries.

Another recognisable trend in the industry is the automation of production processes and the use of artificial intelligence for quality control which has resulted in cutting production time by 20%.

Opportunities and Threats
Rising housing demand in developing economies, the adoption of sustainable building practices, and technological advancements in panel production are driving significant growth opportunities in the global engineered wood industry. These trends are expected to increase market demand, attract investment, and create favourable conditions for innovation and expansion. However, volatility in raw material prices due to supply constraints, and environmental regulations pose challenges. The industry faces raw material shortages from deforestation and climate change, with global timber supply disruptions, for instance wildfires in Canada and Europe. Labour costs and energy prices have increased post-2024 inflation, impacting margins in the engineered wood manufacturing industry. Overall, the industry is resilient, but it must navigate sustainability pressures and economic uncertainties.

There is an increasing demand for eco-friendly engineered wood due to global regulations like the European Union Deforestation Regulation (EUDR) and Leadership in Energy and Environmental Design (LEED). LEED certification is a globally recognized symbol of sustainability achievement in building and construction, indicating that a project meets stringent criteria for environmental performance and resource efficiency. The sustainable segment is growing at 8% CAGR, with recycled wood panels gaining traction in Europe and North America. Innovations in lightweight, fire-resistant panels and automation reduce costs by approximately 15% and improve quality. Rapid urbanisation in Asia (China, India) and Africa (Ghana, Nigeria) boosts demand, with Africa's construction sector growing at 5.5% CAGR. Ghana's housing deficit (1.7 million units) is driving the demand for engineered wood which is driving imports of those products.

Timber shortages resulting from deforestation, climate-related events, and export restrictions are driving a 10% increase in the cost of engineered wood products. Fibre prices remain volatile due to recurring supply chain disruptions. At the same time, stricter emission standards and compliance with EUDR are raising production costs by an additional 5%, exerting downward pressure on profit margins. Macroeconomic conditions further compound these challenges. Inflation and recessions in key markets have weakened construction demand, with Europe projected to record a 3% decline. Competitive pressures are also intensifying as alternative materials such as plastics, composites, and metal panels capture a growing share of the construction market. Geopolitical risks add another layer of complexity. Trade disputes, tariffs, such as those arising from United States-China tensions, and energy costs, which have risen by 15% since 2022, continue to disrupt imports and exports. Finally, labour shortages in major manufacturing hubs, particularly in China, place additional strain on production capacity and supply reliability.

Engineered Wood Product Manufacturing and Distribution industry in Africa.
Africa's engineered wood industry is nascent but growing, driven by abundant forest resources in Central and West Africa, increasing domestic demand, and export opportunities. However, it lags behind global leaders like Asia-Pacific due to infrastructure deficits, political instability, and sustainability issues. The industry contributes to Africa's manufacturing sector, which accounts for about 15% of GDP in key countries like South Africa and Morocco.

Africa's wood-based panels market is estimated at USD2-3 billion in 2025 with plywood and veneer dominating products, with production volume around 5-7 million cubic meters annually, primarily from Gabon, South Africa, and Morocco. The Continent's market for engineered wood is expected to grow by 6% in the next decade due to urbanisation with Africa's urban population expected to reach 60% of Africa's total population by 2050. The African

Continental Free Trade Area (AfCFTA) is expected to fuel the growth of the industry as well through increased intra-continental trade in the next 10 years. MDF and particleboard are the fastest-growing sub-segments of the industry growing at 6-8% Compound Annual Growth Rate (CAGR), driven by furniture demand in South Africa, Ghana and Nigeria.

Africa produces about 3% of global engineered wood, with exports focused on raw veneer and plywood to Europe and Asia for further processing. Africa's imports of engineered wood are essentially from China, Indonesia and Turkey due to limited continental manufacturing capacity. The industry employs over 500,000 people directly in logging, and processing and supports downstream sectors like construction and furniture. In Ghana, for instance, wood processing contributes about 3% to GDP, with exports like teak veneer reaching USD100 -150 million annually.

Deforestation, illegal logging, which account for up to 50% of timber in some African countries, and the effects of climate change are among the key challenges threatening the sustainability of the sector. Significant infrastructure gaps on the continent have limited local production leading to heavy reliance on importation of finished products from outside Africa. Further, political instability in regions like the Democratic Republic of Congo (DRC) disrupts supply chains of raw materials for engineered wood.

Africa's industry is concentrated in forested regions, with South Africa as a manufacturing hub. Gabon is the largest exporter of African plywood, producing 1.5-2 million cubic meters from Okoume wood. South Africa is the hub of advanced manufacturing of MDF and particleboard with the output estimated at 1 million cubic meters. A key North African player, Morocco, exports plywood to Europe valued at USD200 million annually. Emerging with teak plywood exports of about USD150 million is Ghana.

Engineered Wood Products Manufacturing and Distribution Industry in Ghana

Ghana currently lacks the technology and production capacity required to manufacture advanced engineered wood products such as particleboard (chipboard), medium-density fibreboard (MDF), high-density fibreboard (HDF), and oriented strand board (OSB). Nevertheless, the country has an established wood-processing industry that produces a variety of less processed wood products, including lumber, plywood, laminated boards, veneer, and edge-glued and finger-jointed panels. Leading companies engaged in this sector include Samartex Timber and Plywood Company Limited, Miro Forestry and Timber Products, Wood Pillar Limited, AK Ghana Wood Limited, and Asuogyaman Company Limited. These firms supply to both domestic and international markets.

The primary raw materials for semi-processed lumber and logs are derived from a range of tree species. Prominent red/brown species include African Mahogany (Khaya Ivorensis), Sapele, Edinam (Tiama), Emire (Framire), Danta, Niagon, Iroko, Macore, Bosse, Guarea, Dahoma (Dabema), and Movingue. Light-coloured species commonly processed include Wawa, Avodire, Ofram, and Koto, while high-density species such as Azobe, Okan, Kroma, Ananta, Afina, and Afam provide durable inputs for specialised applications.

Local manufacturers of wood products obtain raw lumber and logs both from their own plantations and from external suppliers. The establishment of private tree plantations by some manufacturers has played a critical role in securing raw material supply, particularly in response to the widespread depletion of natural forests caused by excessive and illegal harvesting for domestic use and export.

Ghana continues to face significant environmental, social and economic challenges stemming from illegal logging, deforestation, and illegal small-scale mining, locally known as *galamsey*. These activities have escalated since the early 2000s, largely driven by strong global demand for timber, rising gold prices, and weak enforcement of environmental and forestry regulations.

Illegal logging refers to the unauthorised harvesting, processing, and trade of timber, often involving corruption, smuggling, and violation of the Timber Resources Management Act, 1997 (Act 547) and its amendments. Illegal logging is driven by high global demand for tropical hardwoods like teak and rosewood, poverty in rural areas, weak governance, and corruption among officials. It is estimated that in 2025, illegal logging will cost Ghana about USD200 million in lost tax revenue, with illicit trade often linked to Chinese buyers who import under-declared volumes. The Ashanti and Western regions are hotspots, where chainsaw operators and syndicates exploit forest reserves like the Offin shelterbelt. Loggers use chainsaws to fell trees without permits, smuggle via porous borders or falsified documents, and launder through legal mills. There is a general perception among Ghanaians to the effect that corruption facilitates illicit trade in timber.

Illicit logging has contributed to habitat loss, biodiversity decline, soil erosion, and reduced carbon sequestration. Between 1990 and 2005, it is estimated that Ghana lost 25% of its forests partly due to inordinate logging. The other social consequences of illicit logging include displacement of communities, reduction in ecotourism revenue, and exacerbation of poverty in forest-dependent areas.

To assert that illegal mining has had unimaginable devastating effect on the forest reserve in Ghana and for that matter the timber stock is an understatement of the problem. Illegal mining has been driven and compounded by a number of factors such as high gold prices on the world market making it very lucrative, poverty within the mining communities, unemployment of the teeming youth in the resource-rich communities, weak enforcement of the mining laws, involvement of foreigners, especially Chinese, and failure to deal with the faceless powerful linchpins and ultimate beneficiaries of the illegal mining.

Another critical segment of Ghana's engineered wood industry is the distribution network, encompassing both wholesalers and retailers, which plays a pivotal role in ensuring product availability to end consumers. The distribution landscape comprises companies that source basic engineered wood locally, importers of advanced engineered wood products, as well as entities that combine both sourcing strategies.
The retail market for locally sourced basic engineered wood products is highly fragmented, characterised by numerous firms engaged in the distribution of timber and related products across the country. Retail outlets are not confined to designated timber markets, such as the prominent Timber Market in Accra Central, but are also widely dispersed along the peripheries of Accra and other major urban centres. This extensive geographical spread underscores both the scale and accessibility of the wood retail sector, which serves a diverse customer base ranging from large-scale construction contractors to individual household buyers.

The existence of such a wide distribution network underscores the importance of wood retailing within the value chain of the industry, while also presenting challenges related to quality control, pricing, and regulation in an otherwise informal and competitive marketplace. The common wood products sold by these retailers include sawn timber products, door frames, timber for ceiling and roofing, tongue and grove, edged glue panels and finger jointed laminated boards. The reason for the fragmentation of the retailing of locally sourced wood products is the relatively lower investment requirement on the part of the retailers compared to distribution of imported products.

Unlike the multiplicity of companies engaged in selling locally sourced wood products, the distributors retailing imported engineered wood products are not many and are largely concentrated in the major cities of Ghana, especially Accra, Kumasi and Takoradi. Operating in this segment of the wood industry is capital intensive due to both working capital requirement and the need for investment in plant and machinery such as cutting machines and edging machines.

Stocking well-diversified engineered wood products in variety of colours by vendors require an estimated amount of USD10 million. High investment requirement is further exacerbated by the fact that the companies must also stock complementary products such as furniture and kitchen accessories and fittings, natural stone and artificial/engineered stones and quartz for countertops, and bathroom accessories. Stones and quartz products include natural stones like granite and marble, and engineered quartz, which is a composite of natural quartz, resins, and pigments used for countertops, vanities, and flooring.

Again, these companies provide installation services to their respective customers. The business model adopted by most companies in this segment of the industry is to operate as a one-stop shop to drive maximum customer patronage. The major distributors include Black Park Ltd., Koma Wood Ltd., Willham Wood Ltd., 2HB Home Décor Ltd., Babylon Industries Ltd., Dant Furniture Ltd., Wood Deck Ltd., DFWI Ghana Ltd., Stone Depot Ltd., among others.

The market for engineered wood products, stones and quartz products and accessories and fittings is growing rapidly for several reasons. First, the booming real estate and construction sector is one of the major drivers of growing demand for the imported products. Secondly, the depletion of forest reserves containing mature and high-quality tree species has resulted in the poor quality of locally produced wood products and, consequently, an increasing consumer preference for imported engineered wood products. Again, the Forestry Commission of Ghana has intensified enforcement actions against illegally sourced wood products. While this measure promotes compliance and sustainability, it has also led to a reduced supply of locally produced wood and higher prices, further compounded by persistent quality concerns. Hence, the switching of consumers to the imported engineered wood products. The lack of local capacity to produce stones, quartz and accessories and fittings has created high demand for the imported products.

The distributors who import the finished products are confronted with myriads of problems. The companies complain about high import duties and taxes which is affecting their profit margins because the companies are unable to pass on all the costs to customers due to intense competition. Again, there is increasing influx into the market of cheaper and poor-quality engineered wood from new foreign distributors from East and South Asia, especially China and South Korea. This situation continues to create intense competition among the players in the distribution segment of the value chain.

Engineered Wood Limited (EWL)
Incorporated and commenced business in early 2015, Engineered Wood Limited (EWL) from its humble beginnings has rapidly grown to become one of the forces to contend with in the importation and distribution of engineered wood products, stones and quartz, and accessories

and fittings. The company also provides cutting services to its customers and non-customers and after sales installation services. As a wholesaler and retailer of engineered wood, stones and quartz products and accessories, the company focuses on imported products. EWL has its head office located in Accra with a factory equipped with the state-of-the-art plant and machinery for precision cutting of engineered wood boards, stones and quartz and excellent edging of boards. Apart from the factory, the company has also built three warehouses in different parts of Accra for storage of the imported products.

The company is a wholly Ghanaian-owned business, established and managed by two shareholders, a husband and wife. Mr. Turkson Blessing serves as the majority shareholder, holding a 70% equity stake in the business, while his spouse retains the remaining 30% ownership interest. This ownership structure reflects a closely held family business model, with both shareholders contributing to the strategic direction and long-term sustainability of the company. The two shareholders are actively involved in the daily management of the company. They are deeply committed to the success of the company and aspire to build a lasting family legacy for their five children, whom they hope will succeed them upon their retirement from the business.

The company's success has been built on some factors. Right from day one customers have been put at the centre of EWL business. Every new staff is oriented to understand how critical the company takes customer service, especially because of ever increasing competition in the industry. The two shareholders develop personal relationship with as many customers as possible and take steps to quickly address their concerns. Mr. Turkson also believes in hard work and consequently workers work for long hours; sometimes 13 hours a day, to make sure that customers' orders are delivered without fail. To ensure that the factory workers are always available, there are residential apartments on the 4th and 5th floor of the factory building that accommodates majority of them. Mr. Turkson, who also serves as the Managing Director, has residential accommodation next to his office, where he often stays overnight when required to work late in order to ensure customer satisfaction. The company has made investment in the state-of-the-art cutting and edging machines, ranging from manual, semi-automatic to fully automatic, to deliver precision to customers and to avoid repeat work due to inaccurate cutting and edging.

Mr. Turkson is generally perceived by employees as approachable, accommodating, and open to dialogue. His leadership style emphasizes teamwork, flexibility and collaboration. He places the highest priority on customer satisfaction and sales performance. As long as customers are satisfied, orders are fulfilled, and the company is generating sales, he is less preoccupied with other operational concerns. He explains that his management approach is shaped by the volatile nature of the business environment and the intense competition within the industry. Furthermore, he acknowledges that competitors frequently attempt to poach skilled and experienced workers from rival firms, making flexibility and responsiveness essential for sustaining the company's success.
In contrast, Mrs. Turkson adopts a more structured and rules-driven approach, placing strong emphasis on strict compliance with company hierarchies, policies and procedures. She believes that maintaining discipline, particularly among factory workers, requires consistent enforcement of rules, including termination of employment in cases of repeated or serious breaches.

These differing approaches have had notable implications for the workforce. Interviews with exiting employees reveal that factory workers in particular perceive Mrs. Turkson's management style as stringent and uncompromising, contributing to higher labour turnover. In addition, other factors such as relatively low levels of remuneration and extended working hours were identified as key reasons for staff exits. Overall, the contrasting leadership styles within the management, coupled with broader workplace challenges, have highlighted the need for balanced human resource policies that align managerial approaches with employee welfare and organisational discipline.

Strategic Purpose of EWL – Vision, Mission, and Core Values
At the inception of the company, the shareholders outlined its purpose as reflected in the vision, mission, strategic objectives and core values. These are set out below.

Vision Statement
"*To be Ghana's most trusted and innovative provider of engineered wood, stone, and quartz solutions, delivering world-class quality, precision, and sustainable value to our customers, employees, and communities*."

Mission Statement
"*Our mission is to import, distribute, and deliver superior engineered wood, stone, and quartz products with exceptional precision cutting edge and installation services. We are committed to customer satisfaction, operational excellence, sustainability, and building a lasting family business legacy through hard work, innovation, and strong relationships*."

Core Values
1. **Customer First** – We place customers at the centre of all decisions and actions, ensuring consistent satisfaction and loyalty.
2. **Integrity** – We uphold honesty, fairness, and transparency in all our operations and relationships.
3. **Innovation** – We embrace creativity and technological advancement to deliver precision, quality, and efficiency.
4. **Sustainability** – We are committed to responsible business practices that minimize environmental impact and create lasting value for future generations.
5. **Excellence & Hard Work** – We strive for the highest standards in everything we do, fuelled by dedication and resilience.

Corporate Strategic Objectives
1. **Customer-Centric Growth** – To consistently exceed customer expectations by delivering high-quality products and exceptional service experiences.
2. **Operational Excellence** – To continuously improve processes, efficiency, and product precision through investments in cutting-edge technology and skilled staff.
3. **Sustainable Business Practices** – To adopt environmentally responsible sourcing, operations, and waste management practices to reduce ecological impact.
4. **Human Capital Development** – To invest in staff training, welfare, and retention strategies that foster a motivated, disciplined, and skilled workforce.
5. **Market Expansion & Diversification** – To expand EWL's footprint in Ghana and beyond by growing its retail and wholesale market share and diversifying product offerings.

Operations of the Company
Mr. Turkson has been directly responsible for the procurement of trading stock and property, plant, and equipment. The company sources engineered wood, stone, and quartz products, as

well as accessories and fittings, primarily from Turkey and China. Over the years, Mr. Turkson has established a strong network of suppliers and intermediaries who assist him in procurement. Initially, suppliers required payment before delivery. However, the company has since built trust with its partners, and suppliers are now willing to extend credit terms of 60 to 120 days. The machines used for cutting and edging services, however, have all been procured from Europe, particularly Italy and Germany, where the best quality equipment are found.

The company has constructed three warehouses in different suburbs of Accra to store imported finished products in anticipation of sales. Each warehouse is staffed by a storekeeper and two outsourced security personnel who provide round-the-clock security. Based on demand patterns, products are transported from the warehouses to the factory for processing two to four times per week. Both the warehouses and their contents are insured against fire and theft risks. The factory also maintains a mini-warehouse for storing processed boards, which are made available for customer collection within a maximum of two days following job completion.

Customers who wish to purchase products can place their orders either in person or online through the company's website. The online system was introduced in 2022 to give the company a modern image. However, most customers prefer placing orders in person because the online system does not function reliably, and many customers, particularly artisans, lack the means to access it. For those who can access the system, complaints about its complexity are common. Additionally, internet scammers and fraudsters have successfully cloned the company's website to perpetrate fraud, and some customers have fallen victim to these schemes. This has further discouraged the active use of the online ordering system. The low patronage of the online system is further compounded by resistance from EWL's employees, who remain comfortable with the manual system as it enables them to engage in unacceptable self-serving transactions with artisans. Additionally, the employees believe they were not sufficiently involved in the change process.

In most cases, the final customers do not deal directly with the company but rather allow their carpenters and installers (i.e. artisans) deal with the company. Customers who do not trust their artisans will usually go to the company in person to enquire and make the necessary orders and when the jobs are completed, the artisans collect the processed products to the site for installation. Customers provide the job specifications, including measurements, to the company. These measurements are recorded by customer service officers in a computerized system. The optimisers then process the data to generate an estimate of the boards, stones, and quartz required for the job, along with the associated cost for customer payment. Optimisers are the "brains" of modern cutting and processing machines in engineered wood and stone industries. They analyse, plan, and direct cutting operations to ensure maximum efficiency, minimum waste, and consistent quality. Optimisers, therefore, play important role in sustainability through eco-friendly practices and waste reduction. The optimisers use modern computerised system to size and optimise the boards and stones for customers. The company can boast of the best optimisers in the industry and currently has five of them.

After optimisation, the cutting list is electronically transmitted to the operations/factory supervisor for the cutting of boards and stones. The company has made huge investment in machines used in the operations which were purchased from Europe. There are four wood cutting machines (also known as panel saws) used for the precise cutting of large boards into required dimensions. One is a manual machine, which was the first cutting machine purchased at the inception of the company. The second machine is semi-automatic, while the remaining two are state-of-the-art, fully automatic machines acquired subsequently. This provides the

company with redundant capacity to cater for breakdowns and routine maintenance. However, this makes the company highly geared operationally, with elevated operating costs arising from consumables, spare parts, depreciation, and, to some extent, impairment allowances, while competitors operate on a relatively lean capacity with a lower cost base.
The company has also invested in three automatic edge banding machines used to apply veneer edge bands to board edges. Further, EWL has one automatic stone and quartz cutting machine, grooving machine and spindle moulding machine, used for shaping wood by cutting profiles, grooves, mouldings, and decorative edges on wooden boards, panels, or components.

For effective functioning of the cutting machines, the company has also invested in air compressors that supply outside air to regulate the temperature of the machines and ensure their effective functioning and longevity. The company operates a total of six forklifts to support internal logistics and material handling. One forklift is assigned to each of the three warehouses, while the remaining three are stationed at the factory to facilitate movement of raw materials and finished products. In addition, the company maintains a fleet of five delivery trucks. These trucks are used to transport completed jobs to installation sites, specifically when customers choose to utilise EWL's installation services. The delivery trucks have an average age of five years, resulting in rising maintenance costs, frequent repairs, and declining reliability.

One of the major operational challenges faced by the company is the lack of qualified local engineers to repair machinery when breakdowns occur. As a result, the company flies in a world-class engineer from Italy on a quarterly basis to handle machine repairs and maintenance. This approach is costly, considering the professional fees, airfare, accommodation, and other related expenses. However, Mr. Turkson, an experienced Information Technology professional, is able to liaise with the Italian engineer to resolve minor technical issues remotely, thereby reducing downtime and dependency.

The company primarily creates awareness of its products and services through its official website, which provides customers with comprehensive information on offerings available. Unlike competitors, the company does not engage sales personnel to actively promote or market its products. Instead, it has strategically relied on customer referrals and recommendations, leveraging the quality and reliability of its products and services to attract new clients. This approach underscores the company's strong emphasis on customer satisfaction, which it considers the cornerstone of its business success and therefore prioritises above all other operational activities.

Despite the company's ongoing challenge with high labour turnover among factory workers, it has successfully retained a core group of staff directly responsible for operating each machine. On average, these core staff members have been with the company for approximately five years. Recognizing the serious implications of losing such experienced personnel, Mr. Turkson, in addition to measures implemented by the Human Resource and Administration Department, pays particular attention to their well-being. He considers these core workers his close friends and treats them as part of the family, fostering a sense of belonging to ensure their loyalty remains strong. Moreover, training core staff to achieve a high level of operational proficiency requires significant time and financial investment. Consequently, the company makes every effort to retain its core team.

Mr. Turkson meets with all staff every Monday morning between 7:00 a.m. and 8:00 a.m. to review the previous week's activities and motivate them for the week ahead. The company holds an annual staff durbar on May 1 (May Day), during which top management addresses employees, followed by a family feast where assorted food and drinks are served to foster bonding between staff and management. There is currently no formal annual target-setting or performance appraisal system in place. Due to the high labour turnover among factory workers, new recruits are not offered formal contracts of employment but are only informed of their salary. This is to avoid unnecessary stationery cost in printing employment contracts while contributing to sustainability. After all, these workers even do not value such contracts as long as they receive their salary at the end of the month.

Business Environment and Operational Challenges

Admittedly, the business environment in Ghana has remained challenging and continues to evolve, particularly in the post-Covid-19 era, and the company has not been insulated from these developments. Although the company continues to implement measures to mitigate rising operational costs, several factors persist in exerting negative pressure on its operating costs. The increasing cost of imports, driven by the persistent instability of the local currency, remains a significant challenge. Currency depreciation has adversely affected EWL's competitiveness and long-term value, as the company is unable to fully transfer all costs to customers due to intense market competition.

Furthermore, financing costs have remained elevated, with the company's borrowing rate averaging 34% per annum between May 2022 and June 2025. While the company has injected substantial equity into its operations, it also maintains a considerable level of debt to finance the acquisition of certain capital assets. High electricity tariffs constitute another major source of operating cost pressure. This situation would have been more severe if the company had not invested in energy-efficient machinery.

At the inception of the business, the company adopted a strategy of granting generous credit terms to customers as a means of attracting and retaining them. In hindsight, this approach proved detrimental, resulting in significant bad debts, with some customers becoming untraceable. To address this challenge, the company has since implemented a more stringent credit policy. Credit is now restricted to the top ten customers, while all other transactions are conducted on a cash-and-carry basis. Although this policy change has had a marginal negative impact on sales, it has substantially strengthened the company's liquidity position and improved overall cash flow management.

Maintenance of Key Operations and Financial Data

Despite outsourcing its finance and accounting function to an external accounting firm, Mr. Turkson, leveraging his Information Technology background, has developed a robust management dashboard in Microsoft Excel to provide real-time data for informed decision-making. He monitors daily, weekly, monthly, and annual sales by product and by customer. This enables him to identify when regular customers reduce their purchases and promptly follow up through in-person visits or phone calls to address any issues.

The system also supports key procurement decisions by highlighting which colours and board types are in high demand. Through this, Mr. Turkson has identified seasonal fluctuations in customer demand and adjusted operations accordingly. Additionally, he tracks the profitability of top customers and uses this information to reward them at the end of the year.

The dashboard further monitors product cost structures and inventory movements, facilitating pricing decisions and optimizing the timing of stock procurement. According to Mr. Turkson, having access to accurate, real-time data has been a game changer, enabling him to manage the business with confidence and precision.

Products and Services Offered by EWL

The company commenced operations with two primary product lines: engineered wood and aluminium profiles, both designed for building applications such as windows, doors, curtain walls, and partitions. However, the aluminium profile line did not gain sufficient market traction, leading to its discontinuation. In an effort to sell off existing aluminium inventory, the company was compelled to reduce prices significantly, resulting in substantial financial losses. In response, the company diversified its offerings by introducing stone and quartz products, followed by accessories, fittings, and related services. Most recently, the company has expanded its portfolio to include appliances. A detailed overview of the company's current product and service lines is provided below.

1. **Engineered Wood Products (EWP):** EWL offers a wide range of engineered wood solutions designed for durability, aesthetics, and versatility in furniture and interior applications. Medium Density Fibreboard (MDF) is a dense, smooth, and uniform board, ideal for precision cutting, painting, and lamination. MDF is widely used for cabinetry, shelving, and decorative panels. Particle Boards are lightweight, cost-effective boards made from wood particles bonded with resin, suitable for furniture production and interior partitions. Plywood is a strong, multi-layered board crafted from thin sheets of wood veneer, offering structural integrity and resistance to warping, commonly used in construction, furniture, and joinery. Laminates are stylish, protective finishes applied to engineered boards, available in a variety of textures, colours, and patterns to enhance durability and provide modern design flexibility.

2. **Stones and Quartz (SQ):** EWL supplies premium-quality stones and quartz surfaces for both residential and commercial applications. Natural Stones including granite and marble, valued for their durability, natural beauty, and timeless appeal in countertops, flooring, and wall cladding. Quartz Surfaces are engineered stone products combining natural quartz with resins to create non-porous, scratch-resistant, and low-maintenance surfaces ideal for kitchens, bathrooms, and high-traffic areas. These materials are precision cut and finished to meet the highest aesthetic and functional standards.

3. **Accessories and Fittings (AF):** To complement its core product range, EWL provides a complete line of accessories and fittings for both furniture and interior design needs. Handles, Knobs, and Pullers available in a variety of styles and finishes to match modern and traditional furniture designs. Door Locks and Hardware are durable locking mechanisms designed for both security and style. Corner Fittings and Hinges are functional components that enhance the durability and usability of cabinets, wardrobes, and other furniture. Furniture Accessories including drawer systems, sliders, and connectors that ensure superior performance and convenience.

4. **Appliances (AP):** EWL also supplies high-quality home and kitchen appliances that blend efficiency with modern design. Stoves and Cooktops include gas and electric options designed for performance and energy efficiency. Extractors and Range Hoods - sleek systems that ensure proper ventilation and air quality in kitchens. Ovens - state-of-the-art electric and gas ovens for both domestic and commercial cooking. Dishwashers - efficient and eco-friendly dishwashing systems designed to save water and energy while ensuring hygiene.

5. **Services (SE):** Beyond supplying materials, EWL provides value-added services to meet customer needs with precision and professionalism. Cutting Services - using state-of-the-art machinery to deliver accurate, customized board and stone cuts. Edge Banding - providing seamless and durable finishes to wood panels for enhanced appearance and protection. Installation Services - professional installation of engineered wood, stone, quartz surfaces, fittings, and appliances, ensuring a hassle-free experience and long-lasting results.

The management intend to add to its portfolio hard glass (tempered glass/toughened glass, laminated glass, insulated glass and annealed glass) commonly used in the construction of windows and doors. This is expected to boost the growth strategy of the company within the industry.

Growth and Market Expansion – Local and International

From its initial exclusive focus on the Greater Accra Region as its primary market, the company has gradually extended its reach to customers in the Eastern, Ashanti, and Western Regions of Ghana. The expansion beyond the Greater Accra Region has been driven largely by customer demand rather than by a deliberate strategy to enter those regional markets. Given that the business is capital intensive, the company has no immediate plans to develop new regional markets unless there is sufficient customer demand. According to Mr. Turkson, their approach is to follow customers into new markets, rather than the reverse. The company is contemplating the establishment of a small factory in Kumasi by 2026 in response to the increasing demand for its products in the region. This move is expected to deliver greater value to customers in terms of speed and reliability, while also enhancing accessibility and convenience.

The company's shareholders have been actively exploring opportunities for international expansion, with a particular focus on identifying a suitable West African market. This strategic initiative has gained urgency due to intensifying competition in Ghana's engineered wood, stone, quartz, and accessories sectors. Following a comprehensive market assessment, Nigeria has been selected as the preferred destination for the company's initial international expansion. This decision is driven by Nigeria's rapidly growing real estate and construction industries, increasing urbanisation, and the strategic advantages offered by the African Continental Free Trade Area (AfCFTA).

As part of its regional growth strategy, the company plans to establish a factory in Lagos, Nigeria's commercial capital, by the end of 2028. Operations are scheduled to commence in early 2029, positioning the company to capitalize on emerging opportunities across the West African sub-region. To ensure a smooth market entry, the company will initially deploy experienced Ghanaian personnel to occupy key roles within the Nigerian subsidiary. This approach will facilitate knowledge transfer and market familiarization. Over time, these positions will be transitioned to qualified Nigerian professionals, with the subsidiary gaining greater operational autonomy.

The long-term objective is to develop the Nigerian subsidiary into a strategic hub for West Africa, serving the broader sub-region. Meanwhile, the Ghanaian headquarters will continue to focus on the domestic market and lead expansion efforts into other regions of the continent, including North, East, Central, and Southern Africa.

The Strategy of the EWL

EWL's business strategy at inception was clear: import high-quality products, deliver flawless finishing through precision cutting and edge banding, and provide speed and reliability in installation services. The underlying belief was that satisfied customers would be willing to pay a premium price for superior products and services, thereby positioning the company as the preferred choice in the market.

This strategy proved highly effective with customers who dealt directly with the company, as they consistently received the quality they demanded and were willing to pay higher prices for higher value. However, the strategy encountered challenges with customers who engaged the company indirectly through artisans (i.e. intermediaries). In many cases, artisans collected money from clients under the pretence of purchasing premium products but instead sourced cheaper, lower-quality alternatives, leaving customers with the false impression that the inferior products came from EWL. When the final consumer follows up to EWL, investigations always revealed that the said products were not bought from the company.

With the influx of competitors offering low-quality products at cheaper prices, the company's sales began to decline. In response, while maintaining its original focus on quality, EWL adjusted its strategy by introducing relatively more affordable boards to appeal to artisans who prefer less expensive options. Similarly, many commercial developers opt for cost-effective products in order to keep their apartments affordable for the average prospective homeowner. This change in strategy has proven successful, reversing the negative sales trend and stabilizing the company's market position.

Management and Organisational Structure

EWL's management structure continues to reflect the strong family-oriented influence of its two shareholders. While the organisational structure has undergone changes to accommodate the company's growth, the underlying control and decision-making authority remain firmly concentrated within the family, indicating that the core governance dynamics have not significantly shifted. From the inception of the company, Mr. Turkson has been the Managing Director (MD) while Mrs. Turkson has remained the Chief Operating Officer (COO). The company now has three main departments, namely, Operations, Human Resource and Administration (HR&A) and Stores. The company has outsourced finance and accounting function to an accounting firm as well as security services to a private security company. This evolution has been informed by the growth of the company including staff strength of 95 from the initial number of 10.

The Managing Director (MD) is responsible for setting the overall strategic direction of the company and directly oversees the Operations function. Reporting to the MD is the Factory Supervisor, who manages the day-to-day activities within the factory to ensure operational efficiency. The Chief Operating Officer (COO) holds overarching responsibility for all other departments, with departmental heads reporting directly to her. The Head of Human Resources and Administration (HR&A), who is the sister of the MD, manages all human resource and administrative functions. The Head of Stores, who is the brother of the COO, is responsible for overseeing all warehouse operations and stock management.

Despite the segregation of functions into departments, the enduring philosophy of teamwork to get jobs done and ultimately satisfying the customers continues to drive the existing management and organisational structure. As much as possible, there is less emphasis on hierarchies and positional authority while projecting flexibility, agility and teamwork as the cornerstone of managing the company.

To ensure operational efficiency and retain skilled factory workers, EWL provides staff housing at its factory building and emphasizes workplace safety. Despite challenges in work hours, remuneration and labour turnover, the company continues to explore ways of balancing efficiency with employee well-being. EWL occasionally supports local initiatives, such as donating furniture products to schools and providing technical training to apprentices in collaboration with artisans.

Corporate Governance Structure
Prior to establishing the company, Mr. Turkson worked in the banking sector as an experienced Information Technology (IT) professional. He served in three different banks, eventually rising to become Head of the IT Department at the last bank before resigning to establish EWL. In total, he has over 15 years of banking experience and is currently 44 years old. Mrs. Turkson is also a former banker, with more than 10 years of experience in the operations department of one of Ghana's leading banks. It was at this bank that the Turksons met and later married. She is two years younger than her husband.

Drawing on his extensive experience in the banking sector and prior participation in board-level engagements, Mr. Turkson possesses a strong understanding of corporate governance frameworks. He is of the view that governance structures, while essential, can be financially burdensome due to the allowances paid to directors and the overall cost of board operations. Mr. Turkson further believes that governance models which create a disconnect between shareholders, directors, and management may fail to adequately serve shareholder interests. In his opinion, such separation can dilute accountability and strategic alignment. Given that EWL is a privately held company with no public interest obligations, Mr. Turkson maintains that its governance approach should remain internally focused and tailored to its specific needs. This philosophy has significantly influenced the design and composition of EWL's current board structure, which emphasizes practicality, cost-efficiency, and shareholder engagement.

The board consists of five members comprising Mr. and Mrs. Turkson, the two relatives of the Turksons working in the company and one family friend of the Turksons, Mr. Oti Nelson, a Chartered Accountant and a Lawyer, serving as a non-executive director. Mr. Oti holds Bachelor of Science Administration and Master of Philosophy in Accounting from University of Ghana Business School. Presently, Mr. Oti is a managing partner of a law firm located in Accra.

The board is chaired by Mr. Turkson and in his absence, his wife chairs the board meetings. Although the corporate governance charter provides for a minimum of four meetings per year, the highest number of board meetings per year in the recent years is three. The excuse for avoiding quarterly meetings of the board is that the management is busy with the company's business. There have been no changes to the composition of the board since the company's inception. Additionally, the performance and contributions of board members have not been formally reviewed to date.

Sustainability and Corporate Social Responsibility (CSR)
EWL, as a responsible business, recognizes that long-term growth cannot come at the expense of the environment or society. The leadership has therefore sought to embed sustainability and CSR into its strategy.

EWL sources engineered wood products such as MDF, particle boards, laminates, and plywood from suppliers certified by global sustainability standards. This reduces reliance on illegally logged local timber and ensures that products come from sustainably managed forests. The company's cutting edge machines are designed to minimize energy consumption and reduce rework caused by errors. Over time, EWL is considering solar energy integration to power parts of its factory operations. Sawdust and board offcuts are repurposed into packaging material, resold to small-scale carpenters, or donated to local schools and artisans for training purposes. This practice minimises waste going to landfill.

By prioritising high-quality boards and precision cutting, EWL promotes long-lasting furniture production, discouraging the culture of "cheap and disposable" wood products that increase waste. The company also educates customers on the benefits of sustainable product choices.

As part of its commitment to environmental sustainability, the company has outlined several strategic initiatives aimed at reducing its ecological footprint. By the end of 2025, the company plans to replace its fleet of four petrol-powered office vehicles with electric alternatives, contributing to reduced carbon emissions and promoting cleaner energy use. In addition, since January 2025, the company has transitioned to a fully digital documentation system. Receipts, invoices, and cutting lists are now automatically generated and emailed to customers, eliminating the need for printed materials. This initiative is designed to minimize paper usage and support long-term environmental conservation.

To further enhance energy efficiency, the company has installed a smart power management system across its factory and office facilities. This system automatically shuts off electrical power when areas are not in use, thereby reducing energy consumption and operational costs. These measures reflect the company's proactive approach to sustainability and its dedication to preserving the environment for future generations.

ADDITIONAL INFORMATION

EWL Market and Product Information
The following information is available about market size and market share for each of the four products and service of EWL. It consists of actual data for past two years, the current year and forecasts for the next two years.

	2023 **Actual**	**2024** **Actual**	**2025 Current Actual**	**2026** **Forecast**	**2027** **Forecast**
1. Stones and Quartz (SQ)					
Total market size (GH¢ m)	50	58	65	75	84
Stones and Quartz sales (GH¢ m)	2	2	2.5	3	3.5
2. Accessories and Fittings (AF)					
Total market size GH¢ m)	150	152	149	153	154
Accessories & fittings sales (GH¢ m)	78	77	80	82	82
3. Engineered Wood Products (EWP)					
Total market size (GH¢ m)	40	50	60	70	80
Engineered Wood sales (GH¢ m)	3	5	8	10	12
4. Services					
Total market size (GH¢ m)	60	61	61	61	60
Services sales (GH¢ m)	2	2	2	2	2
5. Appliances (AP)					
Total market size (GH¢ m)	100	112	125	140	150
Appliances sales (GH¢ m)	4	5	5.5	6	6.5

In the current year (2025), the market share of the market leader, or the nearest competitor to the company, has been estimated as follows:

	Market share of market leader or the company's nearest competitor
	%
Stones and Quartz	37
Accessories and Fittings	26
Engineered Wood Products	12
Services	29
Appliances	20

QUESTION ONE

a) Since its establishment, EWL has been led by the Turksons in making a series of strategic decisions at both the corporate and business levels. These decisions have enabled the company to remain competitive despite operating in a challenging business environment. **Johnson, Scholes and Whittington define strategy and outline eight distinct areas or range or scope of strategic decisions**.

Required:
Using the framework provided by **Johnson, Scholes and Whittington on the range or scope of strategic decisions**, identify and critically explain **FIVE** strategic decisions undertaken by EWL since its formation. Your analysis should be supported with specific evidence drawn from the case study. **(10 marks)**

b) **Michael Porter's Value Chain Analysis** provides a framework for examining how organizations add value to their products or services through a series of interconnected activities. These activities are categorised into **primary activities**, including **operations, outbound logistics, marketing and sales, and service**, and **support activities** such as **procurement, technology development, human resource management,** and **corporate/firm infrastructure**.

Required:
Briefly explain each of the following value chain activities: ***Operations, Outbound Logistics, Human Resource Management*** and ***Firm Infrastructure***. For each of the four value chain activities explained, identify and discuss **TWO key weaknesses** currently confronting EWL in performing each activity. **(10 marks)**

(Total: 20 marks)

QUESTION TWO

a) EWL has four products and a service in its portfolio. The actual and forecast data/information on the **total market size** and **sales** for each product and service has been provided for assessing performance of each product or service.

Required:
Using the **Boston Consulting Group (BCG) Matrix**, classify each product/service. Provide sufficient explanation for your classification and **recommend appropriate strategy or strategies** for each product/service. Support your answer with relevant calculations and drawing of BCG matrix. (**12 marks**)

b) Michael Porter provides a business strategy model which identifies strategies that can be used by companies, including EWL, to sell their products and services and to gain competitive advantage in the market. **Porter's generic competitive strategies** include **a cost leadership strategy, a differentiation strategy and a focus strategy**. However, there are six key principles flowing from Porter's generic strategies that must be followed for a company to achieve sustainable competitive advantage.

Required:
Identify and explain any **FOUR** of **the six principles of strategic positioning** that EWL must follow to achieve competitive advantage in the engineered wood distribution industry. In your explanation consider the specific circumstances of EWL. **(8 marks)**

(Total: 20 marks)

QUESTION THREE

a) Mr. and Mrs. Turkson are adopting different styles and approaches in managing the workers. Mr. Turkson is approachable and emphasizes teamwork, flexibility and collaboration based on his assertion that the business environment is volatile and highly competitive. On the contrary, Mrs. Turkson adopts a more structured and rules-driven approach, placing strong emphasis on strict compliance with company hierarchies, policies and procedures. According to **Burns and Stalker's contingency theory,** two distinct organizational structures correspond to these approaches.

Required:
Using Burns and Stalker's model of contingency theory of management,

i) Identify and explain the type of organizational structure that best aligns with Mr. Turkson's management style and the type that aligns with Mrs. Turkson's management style. **(4 marks)**

ii) Identify and explain **THREE** major differences between these two organisational structures. **(6 marks)**

b) In 2022, the company introduced an online system for booking and processing customers' orders. However, the initiative has not been very successful, partly due to resistance from employees who felt they were not adequately involved in the change process. Successful organisational change can be achieved through the effective application of **levers of change**.

Required:
Explain **FIVE levers of change** that Management of EWL may adopt to ensure the successful implementation of the online ordering system and to secure the acceptance and commitment of employees. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

a) Exchange rate volatility creates foreign exchange risk for any company involved in buying, selling, borrowing or investing in foreign currency. EWL faces foreign currency risk because it imports and pays for its products in the United States dollars. Foreign currency risk can be classified into three types of risks.

Required:
State and explain the **specific type of foreign currency risk** that EWL may be exposed to in each of the following situations:

i) EWL products becoming expensive due to exchange rate instability/volatility,
ii) foreign suppliers granting EWL 90 - 120 days of credit, and
EWL consolidating the financial statements of Nigeria subsidiary when it becomes operational. **(10 marks)**

b) EWL's current debt portfolio comprises two types of instruments, **straight debt** issued to financial institutions and **convertible bonds** issued to corporate lenders. Mr. Turkson is now considering the issuance of **bonds with warrants attached** as an additional debt financing option.

Required:

i) Explain the following debt instruments to Mr. Turkson: **straight debts** and **bonds with warrants attached**. **(4 marks)**
ii) Explain to Mr. Turkson the key difference between **convertible bonds** and **bonds with warrants attached.** **(2 marks)**
iii) Explain the key advantage that **convertible bonds** offer to EWL over **straight debt** in relation to **interest rate costs**. **(2 marks)**
iv) Explain to Mr. Turkson the concept of "**conversion premium**" as it applies to convertible bonds. **(2 marks)**

(Total: 20 marks)

QUESTION FIVE

a) The **National Corporate Governance Code for Ghana 2022,** outlines thirteen (13) fundamental principles of corporate governance to guide effective and sound governance of organisations in Ghana. Among the fundamental principles include: **(i) sound appointments and balanced board composition, (ii) professional independence and checks, (iii) commensurate remuneration, (iv) periodic evaluations and reviews, and (v) operating sustainably and humanely**.

Required:
Evaluate the corporate governance structure of EWL under the **FIVE fundamental principles** stated above. **(10 marks)**

b) Corporate governance codes around the world emphasise seven core issues that determine the quality of governance within an organization. These issues serve as benchmarks for evaluating whether a company is well or poorly governed. In the case of EWL, its governance performance can be assessed by examining how it aligns with these seven key issues.

Required:
Critically assess the governance of EWL by identifying and explaining **FIVE** out of the **seven key corporate governance issues.** Analyse how each one applies to the company's current governance structure and practices. **(10 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) **Johnson, Scholes, and Whittington on the range or scope of strategic decisions**
Eight range of strategic decisions identified in Johnson, Scholes and Whittington model are discussed below within the context of EWL.

- **Deciding/defining the scope of the entity's activities**. What businesses should EWL be in? Determining the scope of EWL's operations involves making strategic decisions about the types of businesses the entity should engage in. In this regard, EWL strategically decided to commence business with only two products, engineered wood and aluminium profiles. However, due to poor performance of aluminium profiles, it was subsequently abandoned. Further, EWL introduced new product lines, including stone and quartz surfaces, accessories, fittings, and related services, reflecting the company's commitment to meeting evolving market demands and diversifying its offerings. Finally, the company plans to introduce hard glass (tempered glass/ toughened glass, laminated glass, insulated glass and annealed glass) commonly used in the construction of windows and doors.

- **Relating the activities of the entity to the environment in which it operates**. The company must ensure that there is a strategic fit between its internal activities and the dynamics of the external business environment. EWL's growth into new markets has been primarily guided by customer demand. Again, in response to market conditions and some customers' expectations, EWL revised its business strategy to adopt a cost leadership strategy in addition to differentiation strategy. Finally, the decision to discontinue the aluminium profiles was driven by underperformance and a lack of customer demand.

- **Ensuring that the entity has the 'resource capability' to operate in its selected areas of activity**. The company must build resources and capabilities in making strategic decisions. The company has invested in state-of-the-art machinery, including cutting and edging machine, to ensure the delivery of high-quality products and services. The MD also leveraged on his IT skills to build a comprehensive dashboard in Excel that assist him monitor the performance in key areas of the business. EWL places special emphasis on retaining core staff who operate essential machinery. This approach helps mitigate the impact of high staff turnover on critical operations. Through the trust it has built over time, EWL has secured extended credit terms from its suppliers, ranging from 60 to 120 days. This arrangement enhances the company's cash flow flexibility by allowing it to procure materials and settle payments at a later date.

- **Allocating resources to the different business activities**. There should be an efficient allocation of resources to the strategic business units in the company. The purpose of allocating resources is for effective implementation of strategies. The company ensures that each product line within its portfolio is adequately supported by allocating financial resources for the procurement of sufficient stock. EWL has made investment in modern machinery, including four wood cutting machines, three automatic edge banding machines, one automatic stone and quartz cutting machine, a grooving machine, and a spindle moulding machine.

- **Providing a high-level (strategic) framework for more detailed decision-making at an operational level**. EWL's corporate strategy regarding the scope of its product and service offerings has a direct influence on its operational structure, including the number and specialisation of employees required to support production, sales, and service delivery. EWL's business strategy of differentiation is reflected in its operational practices, particularly in how it engages with customers. By prioritizing exceptional customer service and tailored solutions, the company reinforces its unique market position and enhances customer loyalty. In preparation for its proposed expansion into the Nigerian market, EWL plans to strategically reallocate key human resources.

- **Reflecting the values and expectations of the individuals in positions of power within the entity**. The individuals in position of power in EWL are the two shareholders, the Turksons. The company is deeply committed to establishing a sustainable and enduring enterprise that reflects the values of its founders. This includes fostering a culture of integrity, resilience, and excellence across all levels of the organization. EWL's shareholders are dedicated to responsible business practices that minimize environmental impact and promote long-term value creation. The company actively integrates sustainability into its operations to ensure that its growth benefits both current and future generations.

- **Deciding the long-term direction that the entity should take**. Strategic decisions generally concerned with or affect the long-term direction of an organisation. The company's proposed entry into Nigeria and other African markets is a strategic move designed to broaden its geographic footprint in the long-term. Again, EWL adoption a cost leadership (for some products) with product differentiation for other products strategically changes the long-term direction of the company from a single business strategy (i.e. differentiation) to multiple business strategies, cost leadership and differentiation.

- **Strategic decisions call for implementation of change within the entity so that it adapts successfully to its changing environment**. Post inception, the company has made and implemented some changes to adapt to the changing environment. The company introduced a cost leadership approach by offering affordable products tailored to the needs of artisans and commercial developers. In response to rising levels of bad debt, EWL revised its credit policy to better manage financial risk and improve cash flow stability. This change reflects a proactive approach to maintaining financial health in a challenging credit environment. EWL introduced an online customer ordering platform to enhance convenience and streamline the purchasing process. However, the implementation has faced challenges, and the system has not yet delivered its intended benefits due to poor execution.

(2 marks each for any five strategic decisions that are well explained in the context of EWL, 2 marks x 5 = 10 marks).

b) **Explanation of Michael Porter's Value Chain Analysis with reference to *Operations, Outbound Logistics, Human Resource Management,*** and ***Firm Infrastructure*** by highlighting two key weaknesses respectively.

- **Operations** – these activities transform these various inputs into the final product or service through performance of the activities such as machining, assembly, packaging, equipment maintenance, testing (quality control and assurance) and process control (monitoring and optimizing production process). The main weaknesses in the company's operations are:
    - **Dependence on foreign technical expertise.** EWL faces a significant operational risk due to the lack of local expertise for the maintenance and repair of its critical machinery. The company currently relies on foreign engineer, which incurs high costs and poses a vulnerability, particularly in scenarios where international travel is restricted, as experienced during the recent COVID-19 pandemic. This dependency could disrupt operations and affect service delivery.
    - **High operating gearing/leverage.** The company operates with a high level of fixed operating costs, including expenses related to consumables, spare parts and depreciation. In contrast, many competitors maintain leaner operations with lower cost structures. The high operating gearing increases sensitivity of EWL's operating profit to fluctuations in sales, making the company high risk. If sales rise, profits will grow rapidly. But if sales fall, those fixed costs remain, and profitability could decline sharply.

- **Outbound Logistics** – these are activities associated with collecting, storing, and physically distributing the product or service to buyers/customers. Example of activities include finished goods warehousing, order processing – managing customers' orders, order picking and processing, delivery vehicle operations, and scheduling deliveries. The following are the weaknesses of EWL in outbound logistics:
    - **Rising cost from aging delivery trucks**. Aging delivery trucks result in rising maintenance costs, frequent repairs, and declining reliability.
    - **Challenges with online customer ordering system**. The introduction of online ordering system intended to give the company a modern image has not been successful because it is not reliable, customers consider it as complex and the cloning of the company's website by internet scammers and fraudsters.
    - **Poor change management with online system**. The online system has also faced resistance from workers because they were not sufficiently involved

in the change process and workers remained comfortable with the manual system.

- **Human Resource Management** - activities involved in recruiting, hiring, training, developing, compensating, and (if necessary) dismissing or laying off personnel. The following are weaknesses in these activities:
    - **High labour turnover among non-core factory workers –** the company has to always train new staff and does not promote stability in the company.
    - **Low levels of or poor remuneration –** this situation is essentially responsible for the high staff turnover among non-core factory workers.
    - **Discriminatory treatment of workers –** the MD is said to pay special attention to core staff who operate the machines in the factory thereby making those core staff special. This discrimination may affect teamwork and spirit in the company, which may affect productivity.
    - **Labour compliance and legal risk exposure.** EWL currently does not provide formal employment contracts to most of its factory workers, based on the perception that these employees are primarily focused on remuneration. However, this practice constitutes a breach of labour laws, which mandate that employment relationships be governed by formal contracts. The absence of such agreements exposes the company to potential legal liabilities and reputational risks, underscoring the need for improved compliance with employment regulations.

- **Firm Infrastructure** - Activities, costs, and assets relating to general management, planning, finance, accounting, legal, government affairs, and quality management that support the entire value chain.
    - **Uncompromising management style of COO** - the COO is less approachable and places strong emphasis on strict compliance with company hierarchies, policies and procedures. This management approach is one of the factors accounting for high labour turnover in the company. Perhaps, this approach needs to be changed.
    - **Conflicting management styles of the two top executives, the MD and COO** – the MD's management style is one of teamwork, collaboration, approachable, accommodating, and open to dialogue while the COO's approach involves strict compliance with company hierarchies, policies and procedures. This conflicting approach can create confusion as to the direction of the company.
    - **Adoption of generous credit terms at the inception of the company** – this situation created bad debts which negatively affected the liquidity and cash flow position of the company prompting a change in the policy.

(0.5 mark for brief explanation of each of the four value chain activities, 4 points x 0.5 marks = 2 marks. 1 mark for each weakness, 2 weaknesses required under each of the four activities, 1 mark x 2 points x 4 activities = 8 marks. Total marks 10).

(Total: 20 marks)

EXAMINER'S COMMENTS

This question examined candidates on **Johnson, Scholes and Whittington eight distinct areas or range or scope of strategic decisions** as well as **Michael Porter's Value Chain Analysis**. The performance was average.

Question 1 (a) examined candidates on strategic decisions made by EWL since the company's inception using Johnson, Scholes and Whittington eight distinct areas or range or scope of strategic decisions. Simply put, the performance in this question was abysmally poor as many candidates did not even attempt to answer the question and those who attempted it were completely clueless.

Sub-question 1 (b) examined some activities of **Porter's Value Chain Analysis,** a well-known model in SCS. Specifically, candidates were required to explain and provide two key weaknesses of ***Operations, Outbound Logistics, Human Resource Management,*** and ***Firm Infrastructure.*** As expected, candidates performed very well since Value Chain Model is a familiar model in SCS.

QUESTION TWO

a) Using the **Boston Consulting Group (BCG) Matrix**, classify each product/service.

Before EWL products can be classified based on BCG Matrix, two important factors must be calculated for each product. The two factors are **relative market share (RMS)** and the **growth rate** (GR). The formulas for calculating RMS and GR are presented below respectively.

$$\text{RMS} = \frac{\text{Current Year (2025)Market Share of EWL's Product}}{\text{Current Year (2025) Market Share of a Leading or Nearest Competitor's Product}}$$

The midpoint that determines high and low RMS is 1. RMS more than 1 is high while RMS is less than 1 is low.

$$\text{GR} = \frac{\text{Current Years's (2025)total market sales} - \text{Previous Year's (2024)total market sales}}{\text{Previous Year's (2024)total market sales}} \times 100\%$$

The midpoint that determines high and low GR is 10%. GR more than 10% is high while GR less than 10% is low.

Product	RMS	GR	Classification of Product
Stones and Quartz (SQ)	$= \frac{2.5/65 \times 100}{37\%}$ = 0.**10, Low**	$= \frac{65 - 58}{58} \times 100$ **= 12.07%, High**	**Question Mark/Problem Child**
Accessories and Fittings	$= \frac{80/149 \times 100}{26\%}$ **= 2.07, High**	$= \frac{149 - 152}{152} \times 100$ **= -1.97%, Low**	**Cash Cow**
Engineered Wood Products	$= \frac{8/60 \times 100}{12\%}$ **= 1.11, High**	$= \frac{60 - 50}{50} \times 100$ **= 20.00%, High**	**Star**
Services	$= \frac{2/61 \times 100}{29\%}$ **= 0.11, Low**	$= \frac{61 - 61}{61} \times 100$ **= 0.00%, Low**	**Dog**
Appliances	$= \frac{5.5/125 \times 100}{20\%}$ **= 0.22, Low**	$= \frac{125 - 112}{112} \times 100$ **= 11.61%, High**	**Question Mark/Problem Child**

Boston Consulting Group Matrix

Relative Market Share

	High	**Low**
High / **Growth Rate**	**Strategy: Build** **STAR** Engineered Wood Products	**Strategy: Build or Harvest/Divest** **QUESTION MARK** Stones & Quartz Appliances
Low	**Strategy: Hold** **CASH COW** Accessories & Fittings	**Strategy: Divest** **DOG** Services

Classification and explanation of EWL Products are as follows:

- **Stones and Quartz (SQ) and Appliances (AP)**
  - These products are **question mark** or **problem child** based on BCG matrix classification.
  - **A question mark according to BCG matrix refers to a product that has low relative market share and high growth rate.**
  - Question marks are products which are not market leaders in a high-growing market and are net users of cash.
  - Stones and Quartz calculated RMS is 0.10 which is low and growth rate is 12.07%, which is high, hence it is classified as question mark.
  - Appliances calculated RMS and growth rate are 0.22 and 11.61%, which are low and high respectively, hence the product is also a question mark.

    Strategy Recommendation
  - EWL's management may either **build/invest** heavily to grow the market share of stones and quartz and appliances if there are promising potential to grow their market share or **harvest or divest** these products if the prospects are bleak.

- **Accessories and Fittings**
  - This product is a **cash cow** based on BCG matrix classification.
  - **A cash cow according refers to a product that has high relative market share and low growth rate.**
  - Cash cows are products which are market leaders in a low-growing market and earn substantial net cash inflows.

- Accessories and fittings calculated RMS is 2.07 which is high and growth rate is -1.97%, which is low, hence it is classified as a cash cow.
  Strategy Recommendation
- The recommended strategy to be followed by EWL's management is to **hold or consolidate or maintain** the product's current market leadership.

- **Engineered Wood Products**
  - This product is a **star** based on BCG matrix classification.
  - **A star according refers to a product that has high relative market share and high growth rate.**
  - Stars are products which are market leaders in a high-growing market and earn neutral or zero net cash flows.
  - Star's calculated RMS is 1.11 which is high and growth rate is 20.00%, which is high, hence it is classified as a star.
    Strategy Recommendation
  - The recommended strategy to be followed by EWL's management is to **build or invest** to grow the market share of this product.

- **Services**
  - This product is a **dog** based on BCG matrix classification.
  - **A dog according refers to a product that has low relative market share and low growth rate.**
  - Dogs are products which either failed at inception or are products nearing the end of their lifecycle in a declining market and earn zero net cash flows or generate marginal net positive cash inflows.
  - Services' calculated RMS is 0.11 which is low, and growth rate is 00.00%, which is low, hence it is classified as a star.
    Strategy Recommendation
  - The recommended strategy to be followed by EWL's management is to **divest or liquidate or withdraw** this product from the market.

(0.5 marks for correct calculation of Relative Market Share and Growth Rate for each of the 5 products, 0.5 x 10 ticks = 5 marks. Drawing and correct plotting of the products in the matrix is 2 marks. Correct classification and explanation of products, 0.5 marks x 5 products = 2.5 marks. Finally, correct strategy recommendation for each product, 0.5 marks x 5 products = 2.5 marks. Total = 12 marks)

b) Michael Porter's **six principles of strategic positioning** in the context of EWL are discussed below:

- **Principle 1.** The strategic goal for a company should be **to achieve a superior long-term return on investment**. A company should not select as its strategic goal any other objective, such as maximising sales volume or maximising market share, on the assumption that high profits will result from this. Maximising sales or market share does not necessarily provide a superior return on investment. EWL's business strategy at inception was differentiation which is said to have proven highly effective with customers who dealt directly with the company and these customers paid premium price, hence superior returns. However, due to subsequent sales decline the company decided to adjust its business strategy by adding cost leadership due to decline in sales. Adoption of cost leadership by EWL may reverse declining sales trend but may not necessarily achieve a superior long-term return on the company's investment in the affordable products offered to artisanal customers and commercial developers.

- **Principle 2. The strategy must offer a unique value proposition for the customer**. This is a combination of price and benefits that competitors do not (and cannot) offer. The value proposition might be for customers in the entire market, or for customers in a segment or niche of the market. Under a low-cost leadership strategy, the key value proposition is low price, while a differentiation strategy focuses on delivering unique value to customers. In the case of EWL, the company offers premium, differentiated products to customers who value higher quality and prefer to deal directly with the company. At the same time, EWL supplies more affordable products to artisans and commercial developers whose primary objective is to purchase at low prices, value proposition in cost leadership strategy.

- **Principle 3. There should also be a distinctive value chain**. A company should perform similar activities to competitors, but in a different way that offers customers more value. EWL's value chain must be structured to support its chosen competitive strategy, whether low-cost leadership or differentiation. In EWL's case, the company is attempting to pursue both strategies concurrently: offering high-value, differentiated products to premium customers while also providing lower-cost alternatives to price-sensitive segments. Managing these dual objectives poses operational and strategic challenges, as the value chain must be configured to deliver efficiency and affordability without compromising quality. This approach requires organisational ambidexterity by balancing superior customer service and premium product offerings with cost control and streamlined operations to deliver cost leadership.

- **Principle 4. The selected strategy will involve some trade-offs.** This means that by selecting one set of strategic options, a company inevitably chooses not to select alternative options. For example, there has to be a trade-off between the selling price of the product and the benefits that it offers. By offering one set of benefits, the firm is choosing not to offer others. There is a trade-off between low-cost strategy and differentiation, if EWL follows low cost, it cannot offer differentiated products and services and on the other hand if it decides to follow differentiation it cannot achieve low cost. This explains the reason EWL segment its customers and offered each segment either differentiation or low cost but not both strategy to the same customer segment.

- **Principle 5.** All the different elements in the strategy and in the value chain should link together and reinforce each other. The adoption of differentiation strategy at inception by EWL dictated the importation high-quality products, delivering flawless finishing through precision cutting and edge banding, and providing speed and reliability in installation services. These value chain activities reinforce the differentiation strategy by the company. Similarly, with the company introducing cost leadership, it must ensure that cost efficiency is achieved throughout its value chain to reinforce cost leadership strategy.

- **Principle 6. There should be continuity of strategic direction.** Having chosen its strategies and the direction it wants to take its businesses; a company should apply the strategy consistently. It should avoid the temptation of changing strategy every time a new threat emerges. EWL must consistently follow its chosen strategy in the long run. It should not be alternating between low cost and differentiation in the short term as that has the potential risk of creating confusion in the minds of customers. Following this principle, EWL should have continued to pursue differentiation strategy which it sets for itself right from the inception of the company.

(2 marks each for any four points well explained, 2 marks x 4 points = 8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Candidates were tested on two models, **the Boston Consulting Group (BCG) Matrix** and the **six principles of strategic positioning** as espoused by Michael Porter. The performance by candidates was extremely poor as majority of them did not have idea what the models were about.

Question 2 (a) required candidates to use **the Boston Consulting Group (BCG) Matrix** to classify each product/service of EWL and recommend strategy or strategies for each product. Again, candidates were required to identify and explain any four of the **six principles of strategic positioning** that EWL must follow to achieve competitive advantage in the engineered wood distribution industry. Except for a few candidates who were familiar with the model and performed well, the rest performed poorly.

The **six principles of strategic positioning** were examined in Question 2 (b) and the performance of the candidates was not good. It was patent that majority of the candidates did not recall the principles and others deviated by using other models of Michael Porter such as Porter's Diamond, Porter's Five Forces and Porter's generic business strategies.

QUESTION THREE

a) **Burns and Stalker's model of contingency theory of management organisational structures** and how each aligns with the management approaches of Mr. and Mrs. Turkson's management style.

i. **Burns and Stalker** identified two categories of organisation structure, **a mechanistic structure** and **an organic structure**.

- **Mechanistic Structure**

  A Mechanistic Structure is a highly formalised, rigid, and hierarchical form of organisation design. A mechanistic structure is better suited to an entity in a stable environment, where change is gradual. A mechanistic structure is characterized by rigidity, formalization, and hierarchical control. It works best in stable, predictable environments. A mechanistic structure thrives on rules and procedures which are well defined and follow hierarchical structure in organisation.

  A mechanistic structure aligns with the management style of Mrs. Turkson. She is said to adopt a more structured and rules-driven approach, placing strong emphasis on strict compliance with company hierarchies, policies and procedures. She believes that maintaining discipline, particularly among factory workers, requires consistent enforcement of rules, including termination of employment in cases of repeated or serious breaches.

- **An Organic Structure**

  An Organic structure is a flexible, adaptable, and less formal organisational design suited to dynamic and uncertain environments. An organic structure is better-suited to an entity that needs to be responsive to change in its products and markets, and in its environment. An organic structure is flexible, decentralized, and adaptive. It thrives in dynamic, uncertain environments.

  Mr. Turkson's management approach aligns with organic structure. Mr. Turkson's leadership style emphasizes teamwork, flexibility and collaboration. He said to be approachable, accommodating, and open to dialogue. His management approach is shaped by the volatile nature of the business environment and the intense competition within the industry. **This clearly aligns Mr. Turkson's approach with an organic structure as espoused by Burns and Stalker.**

  (Identifying and explaining each structure and how it aligns with the management style of the Turksons is 2 marks each, 2 marks x 2 points = 4 marks)

ii. The major differences between a mechanistic structure and an organic structure are stated below:

Areas of Difference	Mechanistic Organisation	Organic Organisation
1. Basis of authority for decision making	Authority is delegated through a hierarchical management structure. Power over decision-making is obtained from a person's position in the management hierarchy.	There is a network structure of control. Individuals influence decisions on the basis of their knowledge and skills, regardless of their position in the organisation.
2. Nature of Control	A bureaucracy. There is a **bureaucratic control**. meaning that authority, coordination, and compliance are maintained through formal systems and documentation. Employees follow established protocols, and innovation or flexibility is limited.	**Control is cultural (i.e. cultural control)**, not bureaucratic. This means that behavior is guided by shared values, norms, and mutual trust rather than strict procedures. Employees are empowered to make decisions, and innovation is encouraged.
3. Communication flow	Communication is vertical, up and down the chain of command.	There are much more horizontal communication and free-flow of information.
4. Focus of individuals	Jobs are specialised, and individuals concentrate on their specialist area. Doing the job is the main priority.	Specialist knowledge and expertise are shared, and contribute to the 'common task' of the entity. Contributing to the common task is the main priority.
5. Job description	Job descriptions are precise.	Job descriptions are less precise.
6. Nature of information from superior	Tasks and operations are governed by instructions from a superior manager.	Communications consist of information and advice, rather than decisions and instructions from a manager.

(each point of difference under each organisation structure is 1 mark, three points under each organisational structure, 1 mark x 6 points = 6 marks).

b) The **levers of change** that the Management of EWL may adopt to ensure the successful implementation of the online ordering system and to secure the acceptance and commitment of employees.

- **A clear understanding of the need for change, and what will be the desired result of the change**. It is essential to establish a clear understanding of the rationale behind the proposed change and the intended outcomes. EWL management should effectively communicate to employees the specific reasons for introducing the online customer ordering system. The main reason for introducing online system is to give the company a modern image. The management must explain to the workers the benefits of EWL having a modern image. By transparently sharing the purpose and expected benefits of the system, management can help reduce resistance among staff and foster a more supportive environment for successful implementation.

- **The commitment of the entity's leaders to the change**. The commitment of the organization's leadership is critical to the successful implementation of change. The management of EWL must remain resolute in the face of employee resistance. However, it may be prudent for management to reassess the system's design to ensure it is more intuitive and user-friendly, particularly for customers who may be less technologically inclined. Simplifying the platform can enhance customer experience and support broader acceptance of the change initiative.
- **Effective communication with everyone affected by the change.** This should be two-way communication. Management should listen as well as explain. EWL should organise onboarding training programme for its customers on the use of the online system. The training may possibly make it easier for the customers to use online system. The company should encourage customers to provide feedback on their experience with online system and promptly take corrective actions. Internally, the management of the company should communicate with the workers and receive feedback. In fact, workers have indicated that they were not involved in the change process, hence the company should find a way to get workers involved.

- **Management should have the required qualities to implement change successfully.** Effective change management requires that organizational leaders possess the necessary qualities to guide and implement transformation successfully. For EWL, this means that management must demonstrate strong leadership capabilities, including strategic vision, clear communication, emotional intelligence, and the ability to inspire and mobilize teams/workers.

  Management of EWL must be proactive in addressing concerns of workers and customers, transparent in explaining the rationale for change, and consistent in their commitment to the change process. When employees observe confident and competent leadership, they are more likely to trust the process and engage positively with the change initiative.

- **The organisation structure and relationships within the organisation should be adapted to meet the requirements of change**. EWL management needs to include information technology (IT) department within its functional structure to provide strong technological capability for the organisation. This is important as the company is seeking to create modern image for itself through online ordering system. The company should also have a dedicated team to handle online ordering system challenges discouraging customers from patronizing it.

- **Reward systems should be amended, so that rewards to managers and other employees are based on performance targets that are consistent with the requirements of the change**. EWL management should introduce performance targets and reward system linked to the use of online ordering system. Special bonus scheme should be introduced to reward workers who process customers' orders through online system.

- **Critical success factors and key performance indicators (KPIs)** should be revised, so that they are consistent with the requirements of the change. Perhaps the management of EWL should set up new KPIs that can be used to assess employees as to their use of the new online system.

- **Employees should be given education in the purpose of change and training to meet the operational requirements of the change.** The management should organise regular training for workers on the online system and let employees understand the importance of having customers interface through online system.

(2 marks for each point up to a maximum of 5 points = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question tested the knowledge of the candidates on contingency management theory using **Burns and Stalker's model** and how it applies to the different management styles of Mr. and Mrs. Turkson. Again, the question also assessed candidates on the levers of change, means by which change can be facilitated with specific reference to EWL online customer ordering system which was facing resistance from workers and poor patronage by customers.

Burns and Stalker model of contingency management theory was tested in Question 3(a). Candidates performed well as it appeared that majority were familiar with the theory and applied it well to the EWL.

In Question 3 (b), candidates were required to explain five **levers of change** that Management of EWL may adopt to ensure the successful implementation of the online ordering system and to secure the acceptance and commitment of employees. This was not a particularly difficult question, yet candidates performed poorly.

QUESTION FOUR

a) **Components of foreign currency risk – transaction risk, translation risk and economic risk**. Identifying specific foreign currency risk in the transactions below which relate to EWL.

i. **EWL products becoming expensive due to exchange rate instability/volatility**
This is **economic risk**. Economic risk (also called operating exposure or competitive exposure) is the risk that a company's long-term cash flows, market value, and competitive position will be affected by unexpected changes in exchange rates. Depreciation of the local currency will make the imported products by EWL more expensive thereby making the company less competitive.

Unlike transaction risk (which focuses on specific committed transactions) and translation risk (which focuses on accounting consolidation), **economic risk is concerned with the long-term strategic impact of exchange rate movements on a company's competitive position and future cash flows.** Economic risk, in the context of foreign exchange, is therefore the risk that a company might choose to locate its operations in a country whose currency gains in value over time compared to the currencies of its competitors in world markets. The consequence of an increase in the value of the domestic currency is a loss of competitiveness. Economic risk refers to the long-term movement in exchange rates caused by changes in the competitiveness of a country.

(4 marks for this risk. 1 mark for correct identification of the risk, 3 marks for sufficient explanation of the risk).

ii. **Foreign suppliers granting EWL 90 - 120 days of credit**
The risk arising from foreign suppliers granting EWL credit is **transaction risk**. Foreign currency risk is the fluctuation in the exchange rate between the date of a transaction and the date of settlement of the transaction. EWL transacts now and makes payments between 90 to 120 days and in between the dates of transaction and payment date, the local currency amount required initially for payment on the date of transaction may either increase or decrease by the time of settlement. This change in the local currency equivalent is what is referred to as transaction risk.

Transaction risk is the risk that, for any future transaction in a foreign currency, the amount received or paid in domestic currency might be different from the amount originally expected because of movements in the exchange rate between the date of the initial transaction and the date of settlement (payment/receipt). Volatile exchange rates increase transaction risk. Transaction risk can disrupt international trade, and make businesses more reluctant to trade internationally, because losses arising from adverse movements in an exchange rate reduce the profit on sales transactions or increase costs of purchases. The transaction loss might even offset the amount of normal trading profit.

EWL consolidating the financial statements of Nigeria subsidiary when it becomes operational.

This risk is known as **translation risk**. Translation risk (also called accounting exposure or balance sheet exposure) is the risk that a company's financial statements will be adversely affected when the financial results of foreign subsidiaries or operations are converted (translated) from their local currency into the parent company's reporting currency for consolidation purposes. Translation risk is therefore the risk of losses (or gains) arising on the translation of the financial statements of a foreign subsidiary into the currency of the parent company, for the purpose of preparing consolidated accounts.

In simple terms, the risk that exchange rate changes will affect the reported value of foreign assets, liabilities, revenues, and expenses when consolidated into the parent company's financial statements.

(6 marks for the two risks. 1 mark for correct identification of each risk, 2 marks for sufficient explanation of each risk = 2 marks x 2 risks).

b) Debts instruments – straight debt, convertible bonds and bonds with warrants attached.

i. Explanation of straight debts and bonds with warrants attached

- **Straight Debts** - The term 'straight debt' means a fixed amount of redeemable debt at a fixed rate of interest. Straight debt is a basic debt instrument that represents a loan with fixed terms and no special features or conversion options embedded or warrants attached. Straight debt entitles the holder to interest payment and principal repayment without more. Thus, the debt issuer is only obligated to pay agreed interest and repay the principal amount without any further obligations. A typical bank loan that entitles the bank only to interest and principal repayment is a straight debt.
- **Bonds with warrants attached** - These are debt instruments which gives the bondholder, a right but not an obligation to subscribe for a specified quantity of new equity shares in the company at a future date, at a fixed purchase price. A share warrant attached to a debt is detachable and can be sold by the bondholder to a third party. Share warrants are a form of option, giving the holder of a warrant in a company the right, but not the obligation, to subscribe for a specified quantity of new shares in the company at a future date, at a fixed purchase price.

  Warrants are usually issued as part of a package with bonds as an equity sweetener, a phrase which signifies that attaching warrants to the bond issue can make it more attractive to investors.

(4 marks)

ii. **The key difference between convertible bonds and bonds with warrants attached.**

The differences between bonds with warrants and convertibles may include the following:

- **Separability of embedded option and attached warrant**. With convertibles, the right to subscribe for equity shares is included in the bond itself, and if the bonds are converted, the investor gives up the bonds in exchange for the equity shares. With bonds with warrants, the warrants are detachable from the bonds. The bonds are therefore redeemed at maturity, in the same way as straight bonds. The warrants are separated from the bonds, and the warrant holder either exercises the warrants to subscribe for new shares when the time to do so arrives or lets the warrants lapse.
- **Consequence of exercising the right**. With convertible bonds when the embedded option is exercised, the bondholder exchanges his/her bond for equity. On the contrary, when the holder of the bond with warrants attached exercises his right by paying additional cash to buy shares while keeping or maintaining the bond till maturity.
- **Bond Status After Exercise**. After exercising embedded option in the convertible bond, the bond extinguishes or ceases to exist because it is converted into equity but in the case of bonds with warrants attached, the bond continues to exist after exercising the right in the warrant.
- **Fresh injection of capital**. Exercising of the option embedded in the convertible bond does not result in injection of fresh capital while exercising the right in the bonds with warrants attached leads to fresh injection of equity capital.

(2 marks)

iii. **Key advantage that convertible bonds offer to EWL over straight debt in relation to interest rate costs.**

The key advantage is that convertible bonds typically carry lower interest rates than straight (non-convertible) debt. This is because they offer investors the option to convert the bond into equity (shares of the company) at a future date, which adds value to the bond. In exchange for this conversion feature, investors are usually willing to accept a reduced coupon rate/reduced interest rate.

Convertible bonds are issued at a lower interest rate compared to straight debt because convertible debt gives the bondholder a call option to acquire equity shares at a future date and make instant capital gains. As there is a prospect of making a capital gain should the share price market perform strongly, convertibles can usually be issued at a lower rate of interest than straight debt.

(2 marks)

iv. **The concept of "conversion premium" as it applies to convertible bonds.**

The amount by which the market value of the convertible exceeds the market value of the shares into which the bonds will be convertible is called the conversion premium. Conversion premium is the difference between a convertible bond's market price and its conversion value. Conversion premium is the amount by which the market price of a convertible bond exceeds the current market value of the shares into which it may be converted.

When convertible bonds are first issued, the market value of the shares into which the bonds will be convertible is always less than the market value of the convertibles. This is because convertibles are issued in the expectation that the share price will rise before the date for conversion. Investors will hope that the market value of the shares will rise by enough to make the market value of the shares into which the bonds will be convertible higher than the value of the convertible as a 'straight bond'.

(2 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Candidates were tested on the three elements of foreign currency risk (transaction risk, economic risk and translation risk). The different types of debt (straight debt, convertible bonds and bonds with warrants attached) were also tested. Unfortunately, many candidates did not prepare for this area of the paper and therefore performance was poor.

Candidates were provided with three different scenarios of foreign currency risk confronting EWL in Question 4 (a) and were required to identify the specific type of foreign currency risk (transaction risk, economic risk and translation risk) applicable. While few candidates scored all the marks available, majority of candidates failed to correctly identify the specific risk and yet some candidates did not attempt the question.

Explanation of straight debt, convertible bonds and bonds with warrants attached and differences amongst them as well as explanation of conversion premium were tested in Question 4 (b). Unfortunately, candidates' performance on this question was poor. A significant number of candidates did not attempt to answer the question at all, and those who did provided incorrect explanations. This clearly indicates a lack of understanding of the various types of debt instruments examined.

QUESTION FIVE

a) **The National Corporate Governance Code for Ghana 2022 outlines thirteen (13) fundamental principles of corporate governance to guide effective and sound governance of organisations in Ghana**.

Evaluation of EWL's corporate governance under the following fundamental principles: (i) sound appointments and balanced board composition, (ii) professional independence and checks, (iii) commensurate remuneration, (iv) periodic evaluations and reviews, and (v) operating sustainably and humanely.

i. **Sound appointments and balanced board composition** – An effective organisation has a system (comprising recruitment policies, structures, principles, framework, succession plans, etc.) that ensures that it has the right calibre and number of leaders (directors and managers) to deliver the effective, accountable, and ethical leadership. Organisations should ensure that the appointment and succession planning framework delivers a good balance of skills, experience, expertise (both industry-specific and technical/functional), and diversity (e.g., gender, backgrounds, etc.) within the governing body to improve effectiveness.

In terms of sound appointment, the MD and board chairman is a seasoned IT professional and banker respectively, while the COO and board member is also an experienced banker. The non-executive director (NED) is an experienced accountant and a lawyer who brings to the board expertise in accounting, finance and law. Collectively the three directors have a good balanced of skills, experience and expertise to lead the company to success. However, the board of EWL is arguably not balanced in its composition because there is only one NED on a five-member board. The NED potentially cannot perform its functions well, including demanding effective accountability from the executive directors because of its micro-minority.

ii. **Professional independence and checks** – Organisations should ensure that there is reasonable and sufficient level of independence of the governing body from the management team. **Organisations in Ghana should ensure that the governing body has majority of its members being independent of the management team**. Organisations should also ensure that they have sufficient checks and balances to minimize unbridled power and potential power abuses. **Checks and balances are governance mechanisms and arrangements to prevent any individual or small group of individuals within the governing body from exerting too much power**.

Although EWL is a privately owned company it is important that it complies with the best practices in corporate governance to ensure that it survives in the future. The current board of directors has no director who is independent of the management which violates independence requirement. Again, the dominance of the Turksons family on the board and management clearly compromises the checks and balances required in corporate governance. Therefore, by the nature of the current board of EWL, it fails the fundamental corporate governance principle of professional independence and checks.

iii. **Commensurate remuneration – Organisations should have remuneration schemes that are competitive to attract and retain good talent, as well as reward the efforts of employees, managers, and governing members towards organisational success.** The remuneration scheme should promote long-term performance and be linked to the achievement of the organisation's shared purpose but should not incentivise excessive risk-taking. The executive members of the governing body should have performance-based remuneration while the nonexecutive members should earn a flat fee commensurate with the time commitments of the role.

One of the reasons assigned for high labour turnover among non-core factory workers in EWL is poor remuneration. It is said that the workers work long hours, yet they are not remunerated adequately, hence high labour turnover. On that score, it can be argued that EWL is breaching commensurate remuneration principle of corporate governance. However, the company appears to be doing well with the core staff remuneration as it has been able to retain them for an average period of 5 years.

Again, Mr. Turkson believes that corporate governance can be financially burdensome due to the allowances paid to directors and the overall cost of board operations. This may signal the fact that the shareholders may be reluctant in offering competitive remuneration to attract and retain talented non-family senior management and board members. This may affect quality of management and directors that the company may attract to the board. This may explain why the board has not seen any changes since the inception of the company. This may create familiarity and the board may become ineffective in performing its oversight responsibilities regarding the management.

iv. **Periodic evaluations and reviews – An organisation should periodically review the performance of its governing body as a whole and the individual members serving on it**. The review process should help the governing body assess the contribution of the members to the work of the governing body and to the organisation. The review and evaluation process can provide an opportunity for the governing body to assess its training needs, design its recruitment strategy, and provide accountability for individual members of the governing body.

It is said that the performance and contributions of board members have not been formally reviewed to date. This implies that the governance requirement for periodic evaluation and reviews of the performance of the board has not been complied with by EWL. This is another clear violation of a fundamental principle of corporate governance. EWL's board is in urgent need of evaluation and review to assess its training needs, design its recruitment strategy, and provide accountability for individual members of the governing body.

v. **Operating sustainably and humanely – Organisations should conduct their operations in a sustainable manner that reduces inefficiencies and wastages, and where practical, should adopt circular economy practices that encourage a culture of reuse and recycling. Organisations should strive to demonstrate environmental responsibility in all their activities, processes, and operations.** Organisations have a responsibility to ensure that their activities do not cause irreparable harm to the natural environment and living things. Companies should safeguard respect for human rights in all their activities, operations, processes, and initiatives.

Undoubtedly, EWL has been operating in environmentally friendly manner by the introduction of several sustainability practices. The company has invested in state-of-the-art machines which are designed to minimize energy consumption and reduce rework caused by errors. Again, EWL sources engineered wood products such as MDF, particle boards, laminates, and plywood from suppliers certified by global sustainability standards. This reduces reliance on illegally logged local timber and ensures that products come from sustainably managed forests. Further the company plans to replace its fleet of four petrol-powered office vehicles with electric alternatives, contributing to reduced carbon emissions and promoting cleaner energy use. The company has installed a smart power management system across its factory and office facilities, automatically shutting off electrical power when areas are not in use, thereby reducing energy consumption and operational costs. This is ample evidence of EWL's operating in an environmentally friendly manner which is contributing to environmental sustainability.

(2 marks for each of the 5 points well explained, 2 marks x 5 points = 10 marks)

b) **Key corporate governance issues**. Corporate governance codes around the world emphasise six core issues that determine the quality of governance within an organization. These issues serve as benchmarks for evaluating whether a company is well or poorly governed.

- **The role and responsibilities of the board of directors**. The board of directors should have a clear understanding of its responsibilities, and it should fulfil these responsibilities and provide suitable leadership to the company. Governance is therefore concerned with establishing what the responsibilities of the board should be and making sure that these are carried out properly. It is doubtful whether EWL's current board as constituted understands its responsibilities and whether it can perform the same. The management dominates the board which does not meet regularly. The responsibilities of the board are performed at board meetings, including review of management performance. Since the MD is the board chairman and the board meetings are irregular, this may point to the board not performing its responsibilities effectively.

- **The composition and balance of the board of directors**. A board of directors collectively, and individual directors, should act with integrity, and bring independence of thought and judgment to their role**. The board should not be dominated by a powerful chief executive and/or chairman.** It is therefore important that the board should have a suitable balance and consist of individuals with a range of backgrounds and experience. The current composition of the EWL's board is heavily dominated by Executive Directors (EDs), resulting in an imbalance that undermines effective governance and oversight of management. With Mr. Turkson, the MD, serving as the board chairman with three other directors being close family members, this clearly makes the board not balanced with respect to the number of EDs and Non-Executive Directors (NEDs).

- **Financial reporting, narrative reporting and auditing**. The board should be properly accountable to its shareholders and should be open and transparent with investors generally. To make a board properly accountable, high standards of financial reporting (and narrative reporting) and external auditing must be upheld. The major 'scandals' of corporate governance in the past have been characterized by misleading financial information in the company's accounts.

  Since the shareholders are dominant on the board of EWL, it is expected that the board will be accountable to the shareholders. However, EWL, being a closely held family business, there is a risk that the board may not be open or transparent with other investors or stakeholders.

- **Directors' remuneration**. **Directors work for a reward. To encourage their commitment to achieving the objectives of their company, they should be given suitable incentives**. Linking remuneration to performance is considered essential for successful corporate governance. However, linking directors' pay to performance is complex, and remuneration schemes for directors have not been particularly successful. Directors' pay is an aspect of corporate governance where companies are frequently criticised.

  Although directors' remuneration was not explicitly disclosed, the directors may not be paid suitable compensation because of Mr. Turkson's belief that allowances paid to directors are financially burdensome. This may also explain why the company's board has not seen any changes since its inception. The only NED is a family friend of Turksons and may not be paid suitable allowances to match the experience and skills possessed by the NED.

- **Risk management and internal control**. The directors should ensure that their company operates within acceptable levels of risk and should ensure through a system of internal control that the resources of the company are properly used, and its assets are protected.

One major risk which the management has addressed is credit risk. The change in credit policy to deal with credit risk following significant bad debts incurred by the company.

- **Shareholders' rights**. Shareholders' rights vary between countries. These rights might be weak or might not be exercised fully. Another aspect of corporate governance is encouraging the involvement of shareholders in the companies in which they invest, through more dialogue with the directors and through greater use of shareholder powers – such as voting powers at general meetings of the company.

  Shareholders' rights is not a major governance issue in EWL because shareholders are directors as well. Hence, shareholders' rights would be respected and upheld by the directors.

- **Disclosure**. Keeping shareholders and other stakeholders informed about the company through disclosures that go beyond the publication of audited financial statements.

  Disclosure regarding shareholders of EWL is not an issue because the shareholders are actively involved in the management of the company. The shareholders have all information about the company by virtue of their management positions and board membership. The board must ensure that company makes adequate disclosure to other stakeholders including lenders or providers of debt capital.

(2 marks for each point well explained up to a maximum of 5 points out of the seven points, 2 marks x 5 points = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question required an evaluation of EWL's corporate governance and practices using some fundamental principles of the National Corporate Governance Code for Ghana 2022 and seven core corporate governance issues that determine the quality of governance within an organisation. This question emerged as the preferred choice for the majority of candidates, with many attempting it first. Performance on this question was exceptionally good, with most candidates scoring more than half of the available marks. Indeed, this question proved pivotal in helping many candidates avoid failure in the examination.

Candidates were required to use (i) sound appointments and balanced board composition, (ii) professional independence and checks, (iii) commensurate remuneration, (iv) periodic evaluations and reviews, and (v) operating sustainably and humanely of the National Corporate Governance Code for Ghana 2022 to evaluate corporate governance of EWL in Question 5 (a). Candidates had no difficulty in answering this question and therefore the performance was very good.

Finally, in Question 5 (b) candidates were required to critically assess the corporate governance of EWL by identifying and explaining five of the seven key corporate governance issues and analysing how each one applies to the company's current governance structure and practices. Candidates performed well with respect to this question.

CONCLUSION

Candidates are reminded that success in the Strategic Case Study (SCS) examination is achieved through diligent preparation rather than chance. To maximise the likelihood of success, candidates should begin their studies early, engage thoroughly with the recommended learning materials, and avoid relying on last-minute cramming following the release of the pre-seen material. Consistent and structured preparation remains the most effective approach to achieving a strong performance in future examinations.