Module:	**Global Finance and Strategy**
Unit ref No:	**H/615/3242**
Word count:	**4500**

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Introduction

This is a strategic financial management assignment that forms part of the Diploma in Accounting and Finance Level 7 qualification. My chosen businesses organisations for this assignment are: “Jeis Construction and maintenance Ltd and J.K Bricks and Mortar Construction Ltd”. Both organisations are in construction business and are direct competitors therefore; these firms will provide informative comparative analysis opportunity for this assay. However, the report will provide answers to nine sub-questions as demanded by the assessment.

1. A Description of Business Resources used to meet Organisational Objectives and Key Performance Measurement Systems

A systematic way of explaining the activities of companies perform indicators and how they interact is necessary for describing the sources of competitive and comparative advantage. In this respect, the focus of this assignment’s sub-section will be based on two subsets; primary and support resources that companies deemed to have in order to achieve sustainable organisational objectives as well as meeting key performance measurement systems.

Primary resources

Inbound logistics: This includes supplier relationships, which refers to all the processes involved in design and redesign products and or services, tenders and receiving contracts’ confirmations, storing and distributing the inputs, components and raw material used in the production processes before good and services gets to the consumers or customers.

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Operations: This involves the production and delivery of goods and services. Issues here comprise the age and adequacy of the capital stocks such as equipment, technology, chain of distribution and other relevant fixed assets. Whether there is sufficient production capacity and productivity; the efficiency with which the assets are being used. Operations make up the central activities of delivering a service where it is needed at the right time and in good condition, backed up with good customer service.

Finance and, or reserve: The firm is in a sound financial footing and, or has access to utilise some of its reserve to mitigate unforeseen financial demands from creditors for example, where debtors are late to pay their debts on timely manner. Equally the firm has good relationships with creditors and lenders therefore, is in a better position to execute and or produce and deliver goods and services as and when due. Finance is a key resource for any successful entity.

Outbound logistics: This relates to storage of finished products, processing orders, transportations and distribution of products / goods and services to the final consumer. It offers service that enhances the value of goods and services in terms of installations and training, maintenance, repairs and after-sale service.

Support resources

Procurement: Whilst the primary activities; inbound logistics concerns inputs of raw materials and components, the procurement support activities runs right through the value chain and occurs in many parts of the organisation as to ensure continuity of operations. It ensures that orders and delivery of services / products meet deadline as stipulated in the contract.

Technology: The role of technology is not limited to the research and development but, also runs through the value chain. The role of information technology is very important as it helps to coordinate the activities of inbound and outbound logistics. Electronic data interchange permits direct conversations allowing invoicing and

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payments from the company's accounting department to debtors/customers and from creditors.

Human resource management: Those actions involving the recruitment of skilled workforce, training and development, promotion and processing of wages/salaries as appropriate at the due date. In industries like construction, skilled human resource is a key to competitive advantage. The human resource management support function has a crucial role to play in retaining and motivating the staff involved.

Firm's infrastructure: This comprises the structure and routines of the organisation and its management, planning, accounting, finance and quality control mechanism. This also relates to innovative ability to introduce new product/service and processes, which has potential to contribute to competitive advantage and sustainability of the company's business. These have potential; both in terms of reducing cost and achieving differentiation (John et al 1998; Hill and Jones 1995).

2. An Explanation of Theories to Review the Various Internal and External Organisational Factors Affecting your Chosen Organisation

In business and economics, organisations are influenced by the facts that they operate in a situations in which current decisions have effects and repercussions in future operations. Sometimes such repercussions are deliberate and planned; sometimes they are not. Thus, the growth of globalisation and national economies, companies are exposed to various internal and external factors such as human resource and technological factors as well as environmental issues.

It is therefore, not surprising that there has been a simultaneous growth in the theories put forward to explain these factors and how to address some of them and, or to minimise their impact. In effect, theories can be assessed for their applicability to certain situations in terms of ability to describe and explain real phenomena and to make predictions.

Transaction cost theory: This approach explains the relationship between markets and firms; has had considerable influence on both economic theories and policies

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within the organisations. In recent times, there has been a move towards the reinterpretations of many economic concepts, theories and facts in terms of economics of transaction costs, which includes; bank commissions and credit charges, foreign exchange transaction and costs, credit and interest rate charges. As regards policies, the theory has considerable effects on issues of competition policy. A possible conclusion seem to be that if the growth of the firm occurs as a result of the wish to economise on transaction costs, it follows that the concentration of businesses in large units can be efficient and need not worry too much about excessive market power of large firms.

The eclectic theory: This theory provides holistic views on how to maximise resources to mitigate the impact of internal and external influences within the organisation. This approach is a means of combining elements of various theories such as the product life-cycle theory, neoclassical theory and Albert's theory in a broad classificatory framework. The theory allows the firms to consider all the possible determinants of the extent and pattern of various internal and external activates. This manifestation would enhances; production or process diversification ability to take advantage of division of labour and specialisation, better resource capacity and usage of firms' infrastructure production management.

Trade theory: The theory is more concerned with the structure of markets than with the structure of the firms. It is not just that the structures of many business activities are different in reality; the firms are the organisation through which trade and business is conducted has changed significantly. A great deal of multinational companies has sought to diversify through both vertical and horizontal rationalisation business on either global or regional basis. This model has stiffed up competition amongst companies in similar line of trade (John et al 2010; Mullins 2010; Pike 2010).

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Performance measurement

i. Introduction

The following methods can be used to make a decision on projects that would be most profitable (ABE, 2011):

- The payback period method
- Average rate of return method or Return on investment
- Discounted cash flow method, also divided in the following way:
    - ✓ Net present value
    - ✓ Yield or internal rate of return method

a) The pay back method:

It categorizes investments in the preference order related to the expected period when the investment will pay for itself. Payback method is the length of time required to recover the cost of an investment and is mostly the default technique for investment appraisals. It focuses on cashflow, not profit.

Payback period is an indicator that has actual economic interpretation only in connection with a certain limit value. Such value is usually value for business sector to which the firm belongs, or value determined on the grounds of previous experiences (Kliestik, Birtus, 2005).

In payback period, the shorter the payment time, the more beneficial the project is. This criterion is applied especially in case of simultaneous evaluation of several projects. A shortfall is that the relation of payback period to the company value is not mentioned, but it can be assumed that the shorter the payment time, the faster the value increase for the owner is generated.

For example (investopedia, 2017):

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A company invests $ 1 million in a venture which saves it $ 250,000 a year. To calculate the payback period $ 1 million is divided by $ 250,000. The answer is 4. The payback period will be 4 years. An alternative project requires $ 200,000 and the company does not save money but makes an increase of $ 1,000,000 a year for the next 20 years. The total is $ 2 million. Obviously the company makes double money in the second project. The payback period is calculated by dividing $ 200,000 by $ 100,000 which gives 2 years. The second project has a lesser payback and the company makes more money by it. The second project is better with pure regards to the payback method.

b) Average return method (investopedia, 2017):

It is the profit amount expected with regards to the made investment. It is calculated by dividing the average profit by the initial investment. It does not take into account the time value of money, which could be worth less when taken in the later year as opposed to now. It also does not take into account cash flows which is part of the business maintenance. ARR compares the profits expected from an investment, to the amount needed to be invested. ARR is normally calculated as the average annual profit expected over the life of an investment project, compared with the average amount of capital invested. It recognizes net earnings, i.e. earnings after tax and depreciation. An investor can compare ARR value with its minimum expected rate of return (ROR). If ARR is greater than min. ROR, project may continue, if less, project might be rejected.

ARR focuses on long term future earnings which include temporal risks. ARR can be determined annually, but it is usually calculated as an average over the life of the project. ARR is simple and can be compared with accounting performance measures. ARR's main drawback is that it ignores size and timing of cash flows; finance costs are omitted, quick dividend payouts are difficult to achieve.

Example:

A project yields a total profit of $50,000 in the last 5 years. In this period, the total investment amounts to$ 250,000. $10,000 is the average profit per year. The

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average investment per year is $ 50,000 X $ 250,000/5. This gives 20% as the accounting rate of return.

Disadvantages:

- It does not consider the comprehensive impact that the project may have on the entity.
- It is limited as far as the comparative purpose is concerned. This is because financial measurement may be inconsistent between projects and other non-financial aspects must be taken into account.
- It does not consider the increased long term project risks and the variability that accompanies long periods of time.

Discounted cash flow method:

The timing of cash flows is taken into account by a discount factor. Various short or long term cash flows according to its time of arise can be discounted. Cash-flow discounting can be divided into net present value and internal rate of return.

- Net present value (Investopedia, 2017):

It is the difference between the present value of cash inflows and present value of cash outflows. It results in the analysis of the profitability of an investment project. This is the best tool available for evaluating capital investments proposals as it ascertain all cash inflows and out flows associated with the project. Cash inflows are obtained by combining depreciation and profit after tax. Cash inflows and outflows are reduced to present value. We cannot compare them because they arise at different times. The difference between the cash inflows and cash outflows is obtained and then discounted to present value. This is because cash earned in the future is not worth as much as cash earned today. Using this method, projects should be selected if NPV are positive and projects should be rejected if the NPV are negative. If there are several projects; the project with the highest positive NPV should be accepted first.

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The formula for calculation NPC is:

$$NPV = \sum_{t=1}^{T} \frac{C_t}{(1+r)^t} - C_o$$

Ct is equivalent to the net cash inflow during the t period.

Co is equivalent to the total initial investment costs.

r is equivalent to the discount rate.

t is equivalent to the time period.

When the Net Present Value is positive, it is an indication that the project earnings by the project in dollars supersede the costs expected. A project with a positive NPV is profitable while a negative NPV reflects a net loss. The concept therefore stipulates that only investments with a positive NPV value should be undertaken.

Example:

In an endeavour to purchase a store, a business may estimate the cash flows and then discount the cash flows (r) into a lump sum of approximately $ 50,000. Supposing the owner will to sell the business for less than $ 50,000, the company procuring would find it a good deal because it is a positive NPV investment. Should the owner accept to sell the store for $ 300,000, there would be $ 200,000 gain in the calculated investment period. The net gain which is $ 200,000 is the intrinsic value. On the contrary, if the owner cannot sell below $ 500,000, the buyer will not make a purchase as the acquisition results in a negative NPV at the time and reduce the overall value of the bigger clothing company.

The example above fits the formula in this way:

Lump sum present value = $ 500,000 and is the section of the formula between the equal and minus sign. Co is the sum the retail clothing business pays the store. Co is subtracted from $ 500,000 so as to find the NPV: when Co is below $ 500,000 NPV is negative and therefore an unprofitable investment.

Disadvantages:

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- NPV depends largely on multiple assumptions and estimates which gives a significant room for error.
- The risks associated with the project may not be inherently be accounted for by discount rates and cash inflow estimates.

- Yield or Internal rate of return method (IRR) (Investopedia, 2017).

Corporations use this to normally decide on capital projects. Also known as the discount rate, it yields a series of cash flows to a zero Net Present Value.

For instance, a corporation makes an investment evaluation in a new plant. In comparison to an extension of a plant already existing on the IRR of each project. The company looks to identify that each new capital project produces an IRR above the company's cost of capital. The company decides to invest in the project with the highest IRR assuming that the factors like risk are equal. The IRR is quite closely related to NPV method. IRR also involves discounting future cash flows. The IRR of a particular investment is the discount rate that, when applied to its future cash flows, will produce an NPV of zero. In essence, it represents the yield from an investment opportunity.

IRR has certain attributes in common with NPV. All cash flows and their timings are taken into account. To accept a project investment, it must compensate a minimum IRR requirement. This is often referred to as the hurdle rate and logically this should be the opportunity cost of finance. Where there are competing projects, the one with the highest IRR would be selected.

A simple example for calculating an IRR is a mortgage with even payments. If the initial mortgage sum is $ 200,000 with monthly instalments of $ 1,050 for 30 years. The annual IRR on the loan is 4.8%.

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The formula is presented below:

- Initial payment of CF1 is $ 200,000.
- Following monthly cash flows (CF2, CF3, CFN - negative $ 1,050). It is being paid out, so it is negative.
- Payments number which is (N) is 30 years multiplied by 12 which give 360 payments per month.
- The initial investment is equal to $ 200,000.
- The IRR is 4.8% divided by 12 (payments per month) equals 0.400%.

With the numbers given below, the calculation of IRR is done below:

$$NPV = CF_1 - \sum_{n=1}^{N} \frac{CF_n}{(1+IRR)^n}$$

$$0 = \$200{,}000 - \sum_{n=1}^{360} \frac{\$1050}{(1+IRR)^n}$$

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3. An explanation of the Financial Analysis and Techniques Used by Business Organisations

There are a number of financial analysis and techniques available for companies to evaluate business activities in a given trading period. For this sub-section of the assignment, it will only focus on those techniques appropriate in this context and they are as follows;

Balance sheet analysis and techniques

This reveals all the firms' assets and liability in a given time of operation. It is divided into two parts for which are assets and liabilities columns. This analyses provide information as to what the firm owns and what it owes and how these have been used to maximise profitability and wealth creation.

Based on these, the following techniques can be used to create more awareness of the firm's position in the market and they are:

1. Market to book value ratio; this is used to evaluate the firm's value and some firms exceeds "1" which indicates that the value of the company's assets when put to use exceeds their historical cost
2. Debt equity ratio; this is another important piece of information that shows the company's balance sheet; the firms' leverage or the extent to which it relies on debt as a source of financing its activities.
3. Enterprise value ratio: this is the measurement of the firm's market value or the value that remains after the firm has paid its debits.

Income statement analysis and techniques

This shows the firms revenues and expenses over a trading period. It sometimes called profit and loss account of the company and it adopts a number of techniques to investigate trading activities and to arrive at its values in a given time and some of the techniques used are as follows:

1. Profitability ratio; which shows how much a company earns before interest and taxes from a £1 of sale.

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2. Working capital ratio; the managers can use the combined information in the firms' income statement and balance sheet to gauge how efficiency the firm utilises its net working capital.
3. Leverage ratio; lenders often assesses a firm leverage by computing an interest coverage ratio. Common ratio considers operating income: EBIT, EBITDA as a multiple of the firms' interest expenses.

The statement of cash flow analysis and techniques

This provides the company's profit over a given period. The statement of cash flow uses three operating techniques to evaluate; operating activities, investment activities and finance activities. These provide information on how revenues were generated and distributed to enhance profitability of the company.

Statement of shareholder equity analysis and techniques

This breaks down the shareholders equity computed on balance sheet into the amount that came from issuing of new shares versus retained earns. Because the book value of shareholders 'equity is not a useful assessment of value for financial purposes, the information contained in the statement of stockholding's equity is also not particularly insightful (Berk and DeMarzo 2010; Kothari and Barone 2015).

4. An Application of Financial Analysis Systems and Techniques to Analyse the Final Accounts of your Chosen business Organisation. Review the Annual Reports of the Two Business Organisations

For this sub-division of the assignment, the two business organisations at the centre of this analysis are: "JEIS Construction and Maintenance LTD and J.K Bricks and

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Mortar LTD" and throughout the analysis will be referred as company; A & B respectfully. The two businesses are direct competitors in building and construction industry. There a number of methods and techniques to analyse the company reports but in this essay, the analysis is emphasising only the material analysis and techniques that are appropriate for the assignment and they are as follows:

Balance sheet analysis

Balance sheet of a final reports list the firm's assets and liabilities, providing a snapshot of the firm's financial position at a given period and for this assignment; is (2013) accounting year. Although the book value of the firm's equity in not a good estimate of its true value and on-going concerns, it's sometimes used as estimate of the liquidation value of the firm if the firm is to windup. The figures used for this analysis was extrapolated from the balance sheets of the above mentioned firms and the techniques for the analysis are as follows:

Market – to book value ratio = market value of equity divide by book value of equity (£m)

Company	A	B
Total shareholdings	.3	.32
Share prise	£9	£7
Balance	.3x9=2.7	.32x7=2.4
Value of equity	1.1	1.0
Market value	2.7÷1.1 = 2.45	2.4÷1.0 = 2.2

The analysis shows that the firms have good market value of which, investors will be willing to pay more than twice for the business and the level of efficiency in both companies are similar.

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Debt equity ratio: is analysed as; debt equity ratio over total equity:

Company	A	B
Debt payable	3.5	2.5
Maturity of long-term debt	2.1	1.5
Long-term debt	5.6	5
Total debt	11.2	9
Equity	2	2.5
Ratio	11.2 ÷ 2 = 5.6	9 ÷ 2.5 = 3.6

The ratio shows that firm A has higher ratio than B. However, because of the difficulty of interpreting the book value of the equity, the book debt equity ratio is not especially useful.

Enterprise value ratio = market value of equity + debt – cash

Company	A	B
Market value	5.6	3.6
Less cash	.6	.5
Value for the trading year	5	3.1

The firms value can be interpreted as the cost to take over the business i.e. it will **cost 5 and 3.1** respectively to buy the entire firm's equity and pay off its debts. The analysis thus, shows that firm A is valued more than firm B and this shows some weaknesses in the firms operations.

Income statement analysis

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The income statement lists the company's revenue and expenditures over a trading period. In effect, the following ratios will be used to appraise the firm's activities and price.

Profitability ratio: The operating margins of a firm is the ratio of operating income i.e. operating income over total sale (£m)

Company	A	B
Operating income	6.3	6.5
Total sale	40.3	42.1
Margin for the trading year	15.6%	15.4%

By comparing operating margins across the two firms within an industry, users of the accounting report and owners would be able to evaluate the relative efficiency of the firms' operations. Company A, despite lower sale, it is able to generate higher margin than B.

Net profit ratio is the ratio of net income to revenue. Net profit margin equals; net income divided by total sale.

Company	A	B
Net profit margin	15.6%	15.4%
Total sale	40.3	42.1
Net profit margins	38.7%	36.6%

The net profits margin shows the fraction of each period in revenue that is available to equity holders after the firms have paid interest and taxes. There is a small marginal difference between the two firm's net profit margins; demonstrating that A is more efficient in utilising resources and wealth creation.

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Investment return ratio; investors and managers often evaluate the firm's return on investment by comparing its income to its investment by using ratios such as the firm's return of equity. Ratio on equity equals net income divided by book value

Company	A	B
Return on equity	4.3	3.6
Book value of equity	2.45	2.2
Return on equity	1.8%	1.6%

Return on equity provides a measure of the return that the firms have earned on it investments. A higher ROE may indicate the firm is able to find investment opportunities in future that is appropriate to invest. For the two firms, A has higher returns than B (Berk and DeMarzo 2010; Kothari and Barone 2015; Pike and Neale 2010).

5. An Evaluation of the Role of Culture in Strategic Decision Making in Business Organisation

A popular and simple way of defining the role of culture in an organisation is; how things are done around the organisation. According to Atkinson (1990) organisational culture reflects the underlying assumptions about the way work in performed; what is acceptable and not acceptable. Thus, culture enhances communication ideas, policies and procedure within the organisation; it is a system of management authority. When accepted by employees, cultural values increase the power and authority of the management in strategic decision making in three ways:

1. Employees identify themselves with the organisation and accept its rules when it's in the right thing to do
2. Employees internalise the organisational values when they believe they are right
3. Employees are motivated to achieve the organisational objectives.

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Culture is reinforced through the systems of rights and rituals, patterns of communication, the internal organisation, expected pattern of behaviour and perceptions of the psychological contact. Atkinson (1990) maintain that organisational culture influences the behaviour of the management in decision making and all individuals in the organisation and the ways decisions are made in relation to production and delivery of goods and service. Therefore, culture impacts most aspects of the organisation's life and its business such as how decision is made and who makes them..

Similarly, Egan (1993) refers to the role of culture in the organisation as the largest control system, which dictates how "crazy and idiosyncratic" people can be, owing to the sort of power they have. Companies have both overt and covert cultures that influence businesses, organisational behaviour and decision making process. The covert set can be dysfunctional and costly. The assumptions, beliefs, values and norms that drive the way things are done. It is the largest and most controlling of the systems because it affects not only the overt organisational strategic decision-making and behaviour but also the shadow-side behaviour.

Mullins (2010) contends that culture provides a consistency in outlook and values and makes possible the process of decision making, coordination and control. Culture is clearly an important ingredient of effective organisation's performance. Moreover, the stronger the culture, the more it was directed to the marketplace, the lesser the need was there for policy manuals, organisational charts or detailed procedures and rules (Atkinson 1990; Egan 1993; Mullins 2010).

Role of change management

How many times have we heard it? "We had a good strategy, but we didn't manage the change very well." You know what we say to that?

Consider how complete your strategy was in the first place; if it didn't account for the challenge of effective change management, was it a good strategy to begin with?

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Strategy, in fact, is all about change. Your strategy defines the highest level process in your business. It is the process by which you deliver on your mission. It is a process designed to transform inputs—resources of all sorts—into outcomes, generally financial in nature (but not always). While possible, rarely does formal strategy formulation result in a decision to simply, “maintain the status quo.” And anything other than steady-as-she goes means change. Follow that logic and you quickly conclude that strategy and change management go hand-in-hand.

Where Do You Start?

Leading effective change isn’t just something that starts with the roll-out of strategy to the greater organization. It’s something that starts the moment you begin talking about strategy, because change must start at the very top. All too often we find that senior executives believe that they are on board with a new strategy and that the rest of the organization’s resistance is what they need to address. But the truth is that getting buy-in and building consensus at the highest level of the organization isn’t nearly as easy as it seems. Does the executive team really buy-in? Are they willing to challenge the CEO? Are they willing to challenge each other? Acceptance—passionate acceptance—can never be taken for granted.

Why this Strategy?

It’s important to understand why you believe in your new strategy. And if you do, if the people at the top of the organization “get it,” why shouldn’t everyone else? What is it that makes so much sense to the executive team that we believe others will resist? What cognitive process did they go through? How much time did it take? What can we learn from the executive team’s process of buy-in and acceptance that can be extended to the rest of the organization? Why do we need a different process for the masses?

How Do You Change?

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Often new strategy means some degree of culture change. That, too, must begin at the top with the honest practice of new behaviors. Walking the walk…taking the talk…it's about leading by example. People at all levels tend to emulate the actions and behaviors of their leaders. So look in the mirror and ask yourself, what does this change mean to me?

Role of culture in change management

An organization with the best strategy in the world, but a culture that won't allow it to make that strategy happen is doomed from the outset. Want to be the first to market with the most innovative products, but live in an organization that is full of bureaucracy and afraid to take risks? Fat chance you'll be the first one anywhere. Want to have the highest quality, lowest failure rate of anyone but live in an organization where rules are lax and people make decisions quickly without much data? Chances are you will be chasing initiative after initiative trying to make your goals happen to no avail.

Culture is the sum of the beliefs and values that shape norms of behavior and dictate the ways things get done. There are several continuums that help define an organization's culture. Is the organization driven by results and achievement, or relationships and people? Does the organization have an internal focus, or an external focus? Is the organization adaptive and flexible, or is it structured and stable?

Culture tells you a lot about an organization. What messages do leaders send with their words and actions? What type of behavior is being reinforced? Is conflict and risk encouraged or hindered? How do people communicate? How do people learn and share company knowledge? Is the organization open to change?

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Some think that it's too hard to change culture… that we can't change it even if we know what gaps we have between our current state and our desired culture. Not true. There are real, tactical activities and leadership actions that can shape a new culture.

For example, if the organization lacks the needed focus on customers, then insist that every manager and above spend at least one day a quarter out in the field with customers. Or if your organization makes decisions on the fly in the absence of adequate data (not a good thing for, say, a pharmaceutical company), then insist that all projects use Six Sigma or similar tools. Or if your organization is too cautious and can't move quickly enough to respond to new demands (not a good thing for, say, a software company), verbally encourage teams to make decisions faster and try new things… and then throw a big party the first time one fails as visible demonstration that we appreciate and value risk-taking and new ideas.

If we are serious about change in an organization, we can't ignore the organization's culture. If that culture is not consistent with the change that needs to come about, then the culture needs to be addressed head on. If we as leaders decide that we don't want to do our part to change the culture, then we will live with the consequences of failure.

6. An Evaluation of Key Financial Theories

Some aspects of finance particularly routine finance decisions can be operationalised through clear rules and procedures. But good managers look for something more than rules and procedures. They seek to understand; why managers behave as they do, why firms behave as they do and why markets, in particular finance markets behave as they do. Theories of finance such as arbitrage price theory, finance behavioural theory, short termism theory and rational explanation theory; provide explanations for the behaviour of individuals, firms and markets. The better the theory, the better managers and investors in the markets

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understand how finance operates. Therefore, a good finance theory is one that offers useful explanations of existing behaviour and provides a guide to future behaviour.

Market operatives such as managers and investors frequently find that rather restrictive assumptions are made in developing financial models for example,

- All markets, not just capital markets are competitive
- Information is perfect and costless
- Transaction costs are zero.
- No taxes exist

These assumptions lead naturally to certain propositions that can be questioned. Firstly, only shareholders really matters. A perfect labour market implies that managers and workers have sufficient mobility and can always find other equally attractive alternative employment. Secondly, shareholders are only interested in maximising the market value of their shareholdings. Given perfect, costless information, managers are tightly controlled by shareholders to implement and pursue value maximising strategies. Thirdly, the pursuit of shareholder' wealth is achieved by instructing managers to invest only in those projects that are worth more than they cost.

The assumptions underlying the theories of finance appear to be at odds with reality. Information is imperfect, transaction costs and information costs may be sizeable. Markets are frequently highly imperfect, management will usually have good deal of interest in the firm, an interest that may well conflict with that of shareholders. Managers have far from complete knowledge of the set of feasible financing strategies available, their cash flow patterns and impact on market values. Shareholders are even less well informed. Taxation policy, bankruptcy costs and other factors can have a major influence on financial strategies.

According to Pike and Neale (2010) they believes that whether we talk about markets, firms or managers, we essentially looking at behaviours; the behaviour of individuals managers, investors or groups. Thus, financial theories traditionally assume that people behave rationally. This assumes that people have the same preference, perfect knowledge of all alternatives and understand the consequences

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of their decisions. The reality is frequently somewhat matters and can be unpredictable at times (Pike and Neale 2010; Reilly and Brown 2011).

7. An Assessment of Strategic Implementation Technique Using Balanced Scorecard and Portfolio Tool

The balanced scorecard seeks to encourage behaviour that is consistent with an organisation's strategy. It comprises of an integrated framework of performance measurements that aim to; clarify, communicate and manage strategy implementation as well as portfolio management. It also integrated both financial and not financial measures and incorporates performance measurement within the strategic management process. Similarly, Drury (2008) emphasises that balanced scorecard's philosophy creates a strategic focus by translating an organisation's vision and strategy into operational objectives and performance measures for the following four perspectives; financial, customers, internal businesses, learning and growth perspectives.

Thus, balanced scorecards proposes that an organisation needs to choose the market and customer segments the business unit intends to serve, identifying the critical internal and business processes that the unit must excel at, to deliver the value propositions to customers in the targeted market segments and selecting the individual and organisational capabilities required for the internal and financial objectives. The approach provides a comprehensive framework for translating company's strategic goals into a coherent set of performance measure by developing the major goals for the four perspectives and then translating these goals into specific performance measures.

Equally, balanced scorecard bring together in a single report four different perspectives on a company's performance; enhancing strategic implementation decision making that relates to many of the desperate elements of the company's competitive agenda such as becoming customer oriented, shortening response times, improving quality, emphasising team work, reducing new products launch times and managing for the long-term. The techniques help managers to

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concentrate all the important operational measures together. It also enables managers see whether improvements in one area may have been at the expense of another. Therefore, the road map for balanced scorecard is to improve communications within the organisation and promoting the active formulation and implementation of organisational strategy by making it highly visible through the linkage of performance measures to business unit strategy.

In contrast, balance scorecard has been criticised. Most of the criticisms relates to the assumption of the cause-and–effect relationship on the grounds that the frameworks are tow ambitious and lack a theoretical underpinning or empirical support. Other criticisms relate to the omission of important perspectives, the matter notable being the environmental/impact on society perspective and an employee's perspective (Drury 2008; Kothari and Barone 2015).

8. An Application of Stakeholders Analysis for your Chosen Business Organisation that includes:

a. **An analysis of the significant of stakeholder' analysis:** Stakeholders (shareholders, customers, creditors, employees, government) are the central planks that hold the organisation and its businesses. Their support, loyalty and commitment to the on-going concern of the organisation are critical to profitability of the company and wealth creation for all concerned. Therefore, having good working relationships with them helps to maximise market share as well as minimising conflicts with some of the stakeholders, which might be damaging to the image of the organisation.

   Marketing Strategies

   When you develop your market strategies, you give careful consideration to the critical customer stakeholder group. Being honest, transparent and fair in your communication and interaction with customers is a basic expectation. Conducting market research is an integral marketing technique you can use to learn about the needs and motives of target customers. Product development and promotions are largely influenced by your research findings if your business gives significant credence to customers in stakeholder analysis.

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Motivating Employees

Analyzing the role of employees in your company helps you optimize satisfaction and production. Key long-term considerations in employee assessment are turnover and morale. Understanding the needs and interests of your employees helps you set up a work environment that motivates them. A common expectation for employees is the ability to offer input on key decisions. Additionally, your business needs to monitor employment laws related to hiring, promotions and fair practices to meet legal obligations and to offer a non-discriminatory workplace.

Corporate Citizenship

Balancing basic social and community responsibilities with profit is commonly expected in early 21st century companies. Community leaders expect that you operate with honesty and integrity. If you really want to impress your community and maintain a favorable image, philanthropy, including charitable giving to local nonprofits or schools, is important. Being actively involved with a presence at community events also helps you become entrenched as an integral member of the communities in which you operate.

Forming Partnerships

Supply chain management has emerged as a significant business component. It is collaboration among manufacturers, distributors and retailers to deliver the best value to end customers. Partners generally expect that you operate with integrity and openness for the benefit of all involved. Also consider technology, including inventory management software, to strengthen inventory and distribution systems. Being fair and maintaining trust with partners and supply members is critical in the long term.

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b. **An explanation of business through expansion methods and their impact of stakeholders:** A company can be expanded through takeover and or merger. Takeover being the acquisition of another firm, taking over the share capital in exchange of cash; ordinary share and loan stock of the company. While merger is a pooling of the interest of two companies into a new enterprise, requiring the agreement of both sets of shareholders. Acquisition can be split into types; horizontal, vertical and or conglomerate or unrelated diversification. Therefore, the aim of expansion is to maximise

wealth creation, market penetration and to achieve competitive advantage. The impact on stakeholders can be of twofold; increase in taxation due to capital gains and interim reduced dividends.

c. **An application of stakeholders analysis to a named business organisation**: For “JEIS construction and maintenance Ltd”, it is fundamental to identify who the stakeholders are as well as assessing their strategic position, their importance and key parts they play in sustaining the business organisation. It is also imperative to plan how to communicate and influence their key decisions that may affect the business organisation. Equally important is to ensure that all plans and decisions agreed with them are implemented as planned and maintain continuous reviews.

d. **Return and risks:** In every aspects of life, risk and return tend to be related. The relationship between them has important implications for the owners of a business. They will require a minimum return to induce them to invest at all, but will require an additional return to compensate for taking risk; the higher the risk, the higher the required returns. Thus, future returns from investment must be assessed in relation to the likely risk involved. Managers who pursue the shareholders wealth maximisation objectives will choose investments that provide the highest returns in relation to risks exposure.

e. **An explanation of the concept of corporate and business valuation techniques:** The three basic valuation techniques are; net assets value, price-earnings multiples and discounted cash flow. None of these is fool proof, and they often give different answers. Moreover, different approaches may be required when valuing whole companies from those appropriate to valuing part share of the company. Therefore, net asset value is based on scrutiny of the company accounts while, price-earing multiples is based on accounting profits and discounted cash flows is concerned with annual cash flow of the company (Pike and Neale 2010; Atrill 2011).

9. An Explanations of the Concept of Corporate and Business Valuation Techniques, Use Exemplar Return and Risk Computation where Appropriate

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For as long as the market is reasonably efficient, the market price of an asset can be trusted as a fair assessment of value. Valuation in practice involves gathering information from various sources to guide assessment and valuation processes. Therefore, there are a number of valuation tools but for this write up, it will discuss techniques and they are as follows:

Net asset value

The distinction between company value and the value of owners' equity and stake in the business is classified in considering the returns and risks exposures, methods of valuation and the net asset value, which is concerned with the scrutiny of the company accounts. The balance sheet shows the recorded value for the totals fixed and current assets. After deducting the debts (long and short-term) from total assets value, the residual figure is the net assets value.

For example (£m); company "A" above

Asset employed		700
Less liabilities	400	
Share premium	100	
Reserves	100	
Shareholders fund (Net asset value)		**100**

The net asset value' calculation reveals the return for shareholders; there investment is not risky if the company is to be sold. The NAV value even when based on reliable accounting data only offers a guide to the lower limit of the owner's equity, but even some form of adjustment is often required.

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Price-earning (P.E ratio) multiples

One of the techniques of valuation in practice is based on accounting profits. This method uses price to earnings multiples or P: E ratio. The P:E ratio is derives from the share price for example two companies in similar line of business (e.g. construction), company "A" is selling at a P:E ratio of 20 with earning per share (EPS) of 40p (20x40 = 800p) and company "B" has P:E ratio of 17 with EPS of 35p (17x35=595p) their share prices may look out line. Therefore, firm "A" share price may appear overvalued. To minimise inconsistencies and risks in the share values, the industry benchmark is established by one or more transactions thus, earnings multiples is based on cash flow, which relies on accounting profit rather than the expected cash flow.

One way investors can estimate value is to determine how much pounds (£) they are willing to pay for a "£" of expected earnings in twelve months. For example, if investors are willing to pay ten times expected earnings, they would value a stock and prepared to pay £3 per share and the price during the following year will be £30.00 (i.e. £3x10=£30.00). This approach gives butter understanding of valuing comparable firm's value than P: E ratio, which will be consistent within the industry and comparable.

The price/sales ratio

This technique provides a strong and consistent valuation of assets and value of a firm, hence sales growth is a requirement for a progressive company. The growth process must begin with sales, given all the data in the balance sheet and income statements. Sales information is subject to less manipulation than any other data item in the company's accounts. For example, Company "A" price/sales returns = profits ÷ total sales (£m) in a given period.

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Margin	8
Total sales	45
Value (ratio)	**17.8%**

This valuation method shows that owner's investment will generate good return and risks to their investment are nil. Thus the relative valuation analysis using the P/S ratio should be between firms in similar industry, which values can be compared (Pike; Neale 2010; Atrill 2011).

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