

# Free Group Exercise

Candidate Guidance Booklet

## Contents

SECTION 1: Example Exercise Discussion Points.....	2
SECTION 2: Competencies and Behavioural Indicators .....	6

## SECTION 1: Example Exercise Discussion Points

In this section we present some example discussion points which could come up during this group exercise. These points are designed to get you thinking about your own responses and how you might react to other people's ideas. This section should not be considered a 'model' answer as there will be numerous other suggestions and outcomes from the same group exercise which are equally appropriate. Indeed, group exercises are designed not to have one right answer, but to promote the discussion of ideas and resolution of differing viewpoints. You may well come up with other ideas to ours, but much more important than the ideas themselves are **how** you come up with them and **how you interact** with the group to reach agreement.

### 1.1 Offering online banking services

#### Pros:

- *Once live, should be a low-cost service to operate. **Action:** research what costs and resourced are involved in running an online banking service. What expertise do they need to bring in?*
- *Provides future flexibility for S&B; this revenue stream should not be affected if S&B have to close physical branches as part of future scaling back.*
- *Online customers may be drawn to other services provided by S&B (e.g. mortgages, financial advice, credit cards, etc.)*
- *The convenience of online banking may help retain existing customers who were thinking of leaving for another bank anyway, regardless of whether they are moving out of the north east area.*
- *May reduce staff workload in the physical branches if customers use online banking instead of cashier banking.*
- *Global audience; gives access to a much larger market.*
- *The online platform may help develop new products because customer feedback can quickly be sought from online surveys, new ideas can quickly be trialled and changes can generally be rolled out faster online. i.e. this might prove a useful test-bed for future product changes and customer feedback.*

#### Cons:

- *Unknown technology; will either have a steep learning curve in-house or will have to buy in outside expertise to implement the online service. **Action:** research costs of hiring a consultancy service. **Action:** look into what outsourced online banking services are available. Also investigate the possibility of white-labelling someone else's online service, at least until a firmer idea of customer interest is obtained.*
- *Current account banking is likely to be a low profit margin business, so how much cross-selling can be done online? For example online loan applications should be looked into.*
- *What are the risks and protections against online fraud? **Action:** research figures for losses through online fraud.*
- *For relocating customers who want a physical bank branch, online services will not prevent them changing to a bank which has branches in their new local area. **Action:** conduct customer survey to establish how many customers this might case might apply to.*
- *Will need to investigate regulation of online banking, for example do account holders need to come into the bank in person as part of fraud prevention regulations? This would negate a lot of the*

benefits to the online proposition. **Action:** research applicable legislation surrounding provision of online banking services.

- New service will work best if there is no resistance from board members. There should be no internal politics or agendas at board level.

- Promotion of new online service will be difficult beyond existing customers; the competition for online banking is fierce and online advertising in this area is expensive. **Action:** research the acquisition costs of new online customers and the potential new income they will bring, with a view to produce a cost-benefit analysis.

## 1.2 Attracting customers from a non-trading competitor

- Speak to the failed competitor IB business managers to find out any inside information on what customers wanted. These people will have very useful information about the existing customers.

Thought will need to be given to the incentivisation of these ex-managers; why should they help S&B?

- S&B could buy client contact information from the non-trading competitor or administrator. This would have to be done sensitively to not infringe data protection and not to offend potential clients.

- Speak to customers and ask them what they liked about previous provider.

- Find out what their concerns are and address them.

- Find out why the previous company failed – should this be a warning to not enter the market?

- Consider what competitors will be offering to these clients. Can S&B match or better their offering?

- Convey to potential customers the virtues of local knowledge. Issue prospectuses on recent deals S&B has advised on, or prospectuses on promising local businesses which would present an investment opportunity. Include testimonials from happy clients if possible. This will demonstrate that S&B has contacts and experience in the local area.

- Could advertise in trade journals and business conferences.

- Draw attention to some of the high-profile failures experienced with some international finance projects, and position S&B as a more responsible, grounded investment bank.

- Start local advertising campaign for publicity. Run adverts in local papers and television adverts. Sponsor local business events. Perhaps even host an investment competition to generate publicity.

- Speak to existing S&B investment banking clients to see if any of their contacts were clients of the failed company. A personal recommendation could be very powerful. Maybe even offer some incentive for referred custom.

- Research will need to be done on what sort of terms the old competitor was offering, in order to align with customer expectations. For example, what percentage fee did they take, how did their pricing work, etc.

## 1.3 Islamic banking services

### First issue

- One idea could be to offer the Sharia law-compliant services under a separate sister company, thus disguising any obvious link between the two. Traditionalist customers whose perception of the bank might be affected will not easily notice the link, while the expertise and scale gained from being associated with S&B can be called upon. **Action:** research what the sister company could look like, what would appeal to the target customer base, and where branches could be opened, if they are to be separate from S&B.

### Second issue

- Again the idea of a separate sister company could alleviate some of the concerns surrounding a change of culture within S&B. This new separate company will have no precedent to clash with.

- The staff for the new sister company (or new division of S&B) could be a mix of new recruits and staff who have shown an interest in being involved. By selecting staff who have responded positively to a in internal survey, the new division may have increased morale and a sense of responsibility to the success of the new venture. **Action:** send out a staff survey to see who would be interested in working in this new department.

- Regarding the cost of external consultants, one idea could be to peg their pay to performance of the new division, with minimal fee being paid on poor performance. This would reduce some of the risk of failure, but would probably result in higher fees upon successful implementation. **Action:** firm-up cost estimates of hiring an external consultant.

- An expert will need to advise on Sharia compliance and endorse the new products' compliance.

### Third issue

- It would be prudent to investigate further on the number of potential customers as we don't know the provenance of this survey, its date, or its assumptions. **Action:** The first thing to do is to check how reliable this survey is, and depending on the outcome, possible commission a more reliable survey.

- How many competitors are offering Sharia law compliant financial services? If there are no other local competitors, capturing the whole of this market, even if relatively small, might still be a strong revenue stream.

- Starting off small with this new service may not be such a bad thing, as this could form the first step of a roll-out strategy stretching to other parts of the county. **Action:** It is recommended to research who else is providing these services around the country and consider what their next steps might be; are they threatening to enter the north east region? Will they provide a credible threat to S&B expanding the service elsewhere?

- Access to the target customer base will need to be considered: how does this new demographic bank, where are they likely to see adverts and how are they likely to be persuaded to use the service? **Action:** research the target customer demographic and their banking behaviours.

- In tandem with estimating the size of the market, expected revenues and profit margins need to be estimated to help decide how much resource the bank should invest in this new venture.

## 1.4 Merging with BSP

### Discussion points

- Need to quantify the size of the toxic debt pile BSP is exposed to. This needs to be offset against other BSP assets (both tangible and non-tangible) to decide if they are worth merging with. For example what value is in the BSP business, such as: client list; good performing loans; repeat and legacy clients; property; new markets; brand, etc? For worst case scenario of all the toxic debts not being repaid, what is the net value of BSP? This will decide how much (if anything) S&B should pay for it on a worst-case basis.
- Need to identify the reasons for why BSP's performance has dropped, and particularly if being tied to the larger S&B will alleviate those problems. What is holding it back? For example, does it need an injection of capital to fund a recruitment drive, marketing, or a technology upgrade? If it is not a lack of investment capital, how can S&B help?
- If the risk of losses is too great, perhaps a deal could be forged whereby some of BSP's attractive assets are sold to S&B, leaving the poor performing loans behind. This would result in a higher sale price, but obviously less risk.

### Success factors

- An honest and frank conversation with the managers at BSP would be sensible to understand what really needs to be known about the underlying business. Given the previous relationship with S&B, this is more likely to yield honest answers. Things might get uncovered which formal due diligence perhaps wouldn't otherwise uncover.
- Will cost savings and synergy be afforded by joining forces with S&B? Identify where business operations would be doubled-up and thus where cost savings can be found (e.g. admin, HR, compliance, market analysis etc.)
- The culture of both organisations, apparently similar, is helpful for success. This would also help if staff need to be switched between the two organisations.
- The new market areas accessed through the merger would certainly be a quick way to expand S&B's reach. Initially this reach would be in only private equity, but it would be a spring-board to offer S&B's other products. We are told that S&B's services include investment, merchant, retail and private banking, so of these the private banking would certainly benefit, with some of the others having a new potential reach.

### Failure factors

- The dropped profitability of BSP could be a warning sign for something wrong with the underlying business, or even the market of private equity. Why should the profits suddenly improve from ownership by S&B?
- The size of the toxic debt held by BSP should be clarified, even if it's just an estimate.
- The nature of the toxic debt should be investigated further. What assets can be recovered if the borrower defaults on the loan? What were the conditions on which the loan was made? I.e. how much of these loans would have to be written off and how much could be recovered.
- What would be the repercussions of the merged aspects of the business failing? What bridges would be burnt? If for example some clients or business have to be let down or have to have terms renegotiated, this would probably have a negative effect on S&B's overall image. Bad press would cost the firm's reputation.

### Decision

- The decision reached by the group is not important for this exercise as long as the decision is backed up and explained. Expect to be quizzed by the assessor on why the group voted the way it did. You might have to defend the group's decision.

## SECTION 2: Competencies and Behavioural Indicators

This section identifies the key competencies an assessor will typically measure during this group exercise, and a list of behavioural indicators highlighting that competency. The competency framework in this exercise is designed to be typical of a real group exercise. The first list describes positive indicators of that competency, showing behaviours which indicate a high level of competence. The second list describes negative indicators of that competency, showing behaviours which actively demonstrate a lack of that competence. The following competencies are assessed in this exercise are:

- Leadership
- Initiative
- Team working
- Decisiveness
- Problem solving
- Organisational ability

## Competency: Leadership

### POSITIVE INDICATORS

#### Provides support and encouragement to team members

*For example you could encourage team members by saying “good idea” and “yes, I like that idea” when they generate good ideas.*

#### Helps to address the structure of the meeting

*For example you could suggest an agenda and time estimates for each issue during the meeting.*

#### Employs different management styles depending on the context

*For example you could use a more directive style of management when you need to take control, and a more diplomatic style of leadership when you need to use a more soft approach.*

#### Takes control and provides focus to the group when required

*For example you could ensure that the group does not get side-tracked or distracted.*

#### Gives everyone in the group time to speak and listens to everyone’s input

*For example you could go around the group and ask for everyone’s insight in the team.*

#### Leads by example

*For example you could generate ideas and contribute to the group rather than leaving the work to other members.*

#### Manages conflict and handles disputes within the team

*For example you could mediate between disagreements and act diplomatically to prevent conflicts getting out of hand.*

#### Encourages the input of others

*For example you could ensure that quieter members of the team are given opportunity to provide insight.*

#### Ensures that everyone has a sense of unity and encourages team spirit

*For example you could build morale by encouraging an open and honest atmosphere.*

## Competency: Leadership

### NEGATIVE INDICATORS

Takes a strictly autocratic style of leadership

*For example you could have given rude or insensitive orders to team members rather than polite requests.*

Fails to maintain control of the group

*For example you could have let the team become side-tracked and distracted from the brief.*

Avoids listening to other team members and leaves them out of the decision making process

*For example you could have ignored the input of particular team member and not taken their contributions into account when coming to conclusions.*

Allows conflicts and disputes to occur within the group

*For example you could have ignored the fact that two team members were arguing and not provide mediation.*

Undertakes a passive role and allows other to overshadow them during the discussion

*For example you could have been overly quiet and reserved, allowing other team members to make decisions which you consider to be ineffective.*

## Competency: Initiative

### POSITIVE INDICATORS

Raises practical solutions which satisfy multiple constraints

*For example you could identify a compromise solution for increasing the likeliness of success in the merger between S&B and BSP. This might be a solution which isn't a complete merger but a hybrid solution.*

Searches for mutually-beneficial outcomes to problems

*For example you could suggest solutions which benefit both S&B and their competitors where they might otherwise be incompatible. Or try to think of solutions which simultaneously take into account the proposals put forward by different members in the group exercise.*



### Generates innovative and original solutions to issues

*For example you could try to introduce new ideas or approaches which have not been mentioned. Creative ideas which show you have thought outside of the box may get credited here even if they are not necessarily practicable. The exercises instructions are there to be followed, but where there is opportunity to think laterally, try to question any assumptions inherent in the exercise.*

### Is able to steer the direction of the meeting, helping the group address different issues

*For example you could ensure that all the necessary topics are discussed and solutions are systematically provided. This might include recognising when someone is about to go off on a tangent to the problem in hand, and bringing them back to the most important issues.*

### Improves upon the ideas generated by the team

*For example you could recognise a good idea and say "that's a good idea, and I think it could be improved further by doing this..."  
Raises practical solutions which satisfy multiple constraints*

## Competency: Initiative

### NEGATIVE INDICATORS

#### Does not contribute towards the content or direction of the discussion

*For example you could have remained silent or have been obstructive during the exercise.*

#### Does not explore issues within the discussion through questions

*For example you could have avoided going into depth with other team members or could have accepted an opposing view without seeking justification.*

#### Needed to be prompted by other team members in order to offer suggestions

*For example you could have only spoken when spoken to and only provided input when put under pressure.*

## Competency: Team working

### POSITIVE INDICATORS

Shows a greater concern for the group rather than for self interest

*For example you could focus on working as a team rather than trying to compete with other team members (this is certainly true for group exercises where participants are not assigned roles; sometimes you will be asked to negotiate the best outcome for your character). You should be open to changing your mind on an issue if the team present a solution which appears to satisfy the brief and has been argued strongly.*

Offers knowledge and expertise to the benefit of the group

*For example you could provide ideas and unique insight that you may have gained through your personal experience. Some group exercises deliberately give different pieces of information to different participants so that each person has something which needs to be communicated.*

Encourages team members to build upon their ideas

*For example you could recognise when a team member has generated a good idea and discuss with them how to expand upon it.*

Listens to the points of others and gives constructive feedback when appropriate

*For example you could pay close attention to points raised by others and politely help refine those points using your own knowledge and expertise. If an idea put forward doesn't satisfy an aspect of the brief, you should point this out without being dismissive or critical.*

Provides regular contributions towards group discussion

*For example you could ensure that you bring up different points throughout the discussion rather than repeating the same points made by others.*

Actively tries to improve and maintain morale and enthusiasm within the group.

*For example you could try and encourage a more open and collaborative environment and avoid letting the group feel tense and uneasy. Sometimes the atmosphere can get tense and if you add a light-hearted comment with a smile this helps to keep the group as a collaborative team.*

Provides support for decisions made by the group when voting

*For example you could avoid being overly challenging and staunchly disagreeing when the rest of the team has made a decision.*

Is flexible and does not oppose group decisions at the expense of the rest of the team

*For example you could avoid spending too long voicing disagreements at the expense of covering other issues.*

## Competency: Team working

### NEGATIVE INDICATORS

Offers little or no contributions to the group

*For example you could have remained silent or offered few contributions in discussion.*

Causes disputes or conflict within the team

*For example you could have argued with team members over particular issues rather than discussed them.*

Is overly critical and/or frequently disagrees with other members of the group

*For example you could have been rude to other team members when voicing a disagreement.*

Acts in self-interest rather than in the interests of the team

*For example you could have tried to interrupt other team members in order to undercut their contributions.*

## Competency: Decisiveness

### POSITIVE INDICATORS

Helps the group to come to conclusions quickly and efficiently

*For example you could combine team member's ideas to form a practical solution and a way forward.*

Looks to agree on key issues and appropriate solutions

*For example you could swiftly express your agreement when a particularly good idea or key issue is identified by a team member. For example you could say "I don't think we can come up with a better idea than that, shall we go with that and move on?"*

Is often quick to generate ideas and provide contributions to the group

*For example you could voice good ideas as soon as they are accepted. This also helps set the pace of the group discussion to be focused and productive.*

Seeks to address conflicting opinions within the group in order to reach a common agreement

*For example you could try and find common ground between opposing team members.*

Can identify a good idea or solution quickly and readily incorporates it into a practical solution

*For example you could say something like “so given this is the best idea, the next step for implementing it could be...”*

Moves on swiftly from issues which the group has agreed upon

*For example you could summarise and conclude main points to allow the discussion to focus on something new.*

## Competency: Decisiveness

### NEGATIVE INDICATORS

Shows difficulty in coming to firm conclusions

*For example you could have appeared troubled and unsure of what to do when presented with more than one option.*

Spends excess time dwelling on single issues

*For example you could have spent too much time deliberating over the details of on one particular aspect at the expense of making a decision.*

Holds the group back from coming to conclusions and moving on to new issues

*For example you could have tried to keep the discussion on one area when the group was trying to progress the discussion.*

Fails to resolve major differences of opinion without the group

*For example you could have stubbornly held on to an opposing position against the rest of the group, preventing a firm conclusion being agreed upon. Not “agreeing to disagree” for the sake of time.*

## Competency: Problem solving

### POSITIVE INDICATORS

#### Is able to identify important information from the text provided

*For example you could pick out the crucial issues in the exercise text and draw the group's attention to these key elements. For example you could make a list of the most important problems facing the situation. Sometimes exercises deliberately include a conflict for candidates to recognise and overcome.*

#### Thinks strategically and takes a long-term view

*For example you could recognise the implications of the group's decisions in years to come. Or you could think about wider strategic issues instead of just the single issue at hand. For example if the company offers a new product, will this bring it into competition with an affiliated company with whom it had previously enjoyed a healthy relationship?*

#### Looks at problems and solutions from multiple viewpoints

*For example you could consider a new product launch from the perspective of: different customers groups; different staff members; different competitors; different suppliers; and different investors. Demonstrating that you have thought about an issue from multiple viewpoints shows good analytical thinking skills.*

#### Identifies potential side effects and indirect consequences

*For example you could identify a potential side effect of the bank's expansion as customer defection, staff discontent, reduced profit margin or monopoly litigation. In this exercise, you could think about what knock-on effects might arise from offering Islamic finance (both good and bad effects).*

#### Identifies the causes of problems and the inhibitors of success

*For example you could identify what and who is likely to prevent the success of a particular initiative. This skill shows you are able to see not only what might happen, but why. In this exercise you could consider why radical change initiatives are "known to have little chance of working and high chances of being met by resistance".*

#### Searches for more information

*For example you could ask many questions and seek insight from everyone in the team. You could also critically assess the information (or lack of information) presented in the exercise. With this competency in particular it will help to imagine yourself facing the exercise situation in real life; so as in real life you will probably want to establish a few more facts before making an important decision.*

#### Thinks and acts objectively and does not make decisions based on subjective biases

*For example you could avoid basing decisions on stereotypes, gut feelings and biases. In this exercise you should be open to different ideas of what a 'typical' north east banking customer might be like.*

## Competency: Problem solving

### NEGATIVE INDICATORS

#### Does not identify the key issues

*For example you could have focused on irrelevant issues and overlooked important issues. So in this exercise, you could have neglected to recognise the falling demand from retail customers in the north east.*

#### Does not seek more information

*For example you could have based your decisions purely on your own thoughts, without gaining insight from others or without suggesting further research.*

#### Looks at the problem from a very narrow-minded perspective

*For example you could have avoided looking at the situation from other peoples' standpoints and busies yourself with one aspect of the problem.*

#### Cannot identify the causes of problems

*For example you could have ignored the cause of the problem when addressing the solution.*

#### Provides irrelevant or impractical solutions

*For example you could have generated ideas which are of no use, or are known not to be practically applicable in the given situation.*

## Competency: Organisational ability

### POSITIVE INDICATORS

#### Helps to or decides how to set out the structure of the meeting

*For example you could draft an agenda for the meeting with rough time boundaries.*

#### Clearly identifies and states the aims of the meeting

*For example you could remind everyone of the key outcomes set by the brief.*

#### Make effective use of any materials provided during the exercise

*For example you could make use of a flipchart or other materials provided.*

#### Keep track of time and ensure the correct pace of the meeting

*For example you could encourage the group to form a conclusion if time is becoming limited.*

Ensure that all important issues and recommendations are presented

*For example you could list the issues up for debate and the corresponding response the group has agreed on. This will also help focus attention on time allocation.*

Helps to or decides how to set out the structure of the meeting

*For example you could draft an agenda for the meeting with rough time boundaries.*

Clearly identifies and states the aims of the meeting

*For example you could remind everyone of the key outcomes set by the brief.*

## Competency: Organisational ability

### NEGATIVE INDICATORS

Does not monitor the pace of the meeting

*For example you could have let the meeting progress too slowly or quickly, without regard for the time limits or objectives.*

Does not focus on addressing specific issues

*For example you could have addressed multiple issues at once, preventing the team from going into depth and reaching a conclusion on any one issue.*

Does not complete the exercise due to running out of time

*For example you could have spent too much time on a few issues and missed out others due to poor time management. Everyone can be responsible for time management; if you notice the team needs to speed up, say something.*