



APC
Accounting Practise Center

ACCA
Strategic Business Leader
SBL
Mock Exam 2
June 2026
DDK
Answer
6 exhibits.

Tutorial note:

You should not name the XYZ in your answer, the following answer is for tutorial purposes and the length of the answer is more than what a typical SBL student can write in the exam.

In the exam, each good point is worth 1 mark, and professional marks will depend on how well you performed in the technical area.

For avoidance of doubt, a 20-marks Q needs 20 good points only, each Y or Z is a separate good point.

Topics tested in this mock:

Q1 – Strategic Position and Strategic Options

- Current strategic position
- Evaluation of Strategic Options A, B, C
- Environmental management frameworks: EMAS and ISO 14001
- Reliability of environmental and sustainability reporting

Q2 – Governance and Stakeholders

- Board structure, diversity, and effectiveness
- Stakeholder power and interest (Mendelow's mapping) for the SalonConnect project

Q3 – Culture, Innovation, and Operations

- Cultural weaknesses and change management
- Intrapreneurship evaluation (Style Lab) and entrepreneurship guidance
- Process management weaknesses
- Organisational structure and operational effectiveness

Answer to Q1

Report

Introduction:

This report evaluates DKK's current strategic position, drawing on relevant frameworks. It then evaluates the three strategic options (A, B and C) and recommend which option, or combination of options, DKK should pursue.

PART (a) – STRATEGIC POSITION

EXTERNAL ENVIRONMENT

1. Premium segment is attractive but increasingly contested X: The premium segment generates 17% of industry revenue and is growing at 7% p.a. — the fastest of the three segments — with KMI forecasting 8–10% p.a. over the next five years. Average client spend is \$110 per visit versus \$52 (good) and \$28 (basic). Y: Using **Porter's Five Forces**, the segment is attractive on revenue growth and client willingness to pay. However, the number of premium-rated salons has grown from 120 to 310 in five years — barriers to entry are low (the pre-seen confirms this), and experienced hairdressers (many ex-DKK) are opening competing premium salons. The threat of new entrants is high and rising. Z: The premium segment offers strong growth, but DKK cannot assume its position is protected simply because demand is growing — supply is growing faster.

2. Competitive rivalry is intensifying specifically against DKK X: Luxe & Co has grown from 8 to 22 salons in three years, targeting DKK's exact affluent demographic. KMI's mystery shopper rated Luxe & Co "comparable to DKK" in 7 of 10 criteria. Luxe & Co has online booking, a loyalty programme, active social media, extended hours and ISO 14001 — all of which DKK lacks. Y: Luxe & Co is not a generic competitor — it is a focused challenger replicating DKK's positioning while adding capabilities DKK does not have. DKK retains advantage only in hairdresser skill, product exclusivity and salon interiors. If Luxe & Co closes these gaps (e.g. by winning HSA awards or securing its own exclusivity deals), DKK's differentiation would narrow further. Z: DKK faces a direct, well-resourced competitor that is growing fast and is already perceived as comparable in most dimensions. The competitive response is urgent.

3. Substitute threat — DIY and new entrants from within X: 72% of premium segment clients have noticed more premium salons opening nearby. The pre-seen notes that good-quality haircare products and video guides enable individuals to apply treatments at home. Many new premium entrants are former DKK hairdressers. Y: The threat of substitutes operates at two levels: (a) home haircare substituting for salon visits entirely (more relevant to basic/good segments but relevant to price-sensitive premium clients during downturns), and (b) ex-DKK hairdressers setting up as independent premium alternatives, taking their DKK clients with them (Exhibit E shows 35% of clients follow a departing hairdresser). DKK is inadvertently training its own future competitors. Z: Reducing hairdresser turnover (Exhibit E recommendations) is not just an HR issue — it is a competitive strategy issue, as every departure strengthens the independent premium competitor pool.

INTERNAL RESOURCES AND CAPABILITIES

4. Brand is the strongest asset — but declining X: 68% of premium clients recognise DKK as the most prestigious brand and 74% rate its hairdressers as the most skilled. All 50 salons hold Excellent HSA ratings — no competitor chain matches this. Y: Using the

resource-based view, DKK's brand is valuable (drives premium pricing), rare (40-year heritage and universal Excellent rating are hard to replicate quickly), and currently inimitable (competitors can copy individual elements but not the whole package). However, it is not being fully **exploited** — the brand has no meaningful digital presence, no loyalty programme, and limited social media, meaning its value is not reaching potential clients who research online. Brand recognition at 68% also means 32% of premium clients do not consider DKK the most prestigious — awareness is strong but not dominant. Z: The brand remains DKK's core competitive advantage, but it is a wasting asset if not actively maintained and extended into digital channels where clients increasingly make decisions.

5. Exclusive product partnerships are a durable differentiator X: DKK holds two exclusivity contracts with internationally recognised suppliers — no other Kayland business can sell these products. Non-clients also visit salons specifically to purchase these products. Y: These partnerships are valuable (attract clients and retail revenue), rare (exclusive to DKK in Kayland) and costly to imitate (competitors cannot access these specific products). They also create a secondary revenue stream and footfall driver that competitors cannot replicate. This is one of DKK's few resources that does not depend on individual hairdressers and therefore is not at risk when staff leave. Z: The exclusivity contracts should be actively leveraged — through online retail sales, targeted product marketing and loyalty programme integration — rather than passively relied upon with declining retail share (6.5%→6.1%).

6. People capability is strong but fragile X: DKK's hairdressers are fully HSA-qualified with mandatory annual CPD, and DKK has won more national HSA competitions than any other chain. However, there are 28 unfilled vacancies, turnover is rising (44 resignations in 20X5 vs 22 in 20X3), and the training academy output has fallen from 12 to 5 qualifiers per year. Y: The people capability is valuable and currently rare — but it is not being sustained. The pre-seen's critical success factor of "skilful, experienced staff who regularly undertake CPD" is at risk. If the talent pipeline (academy) and retention (exit interview issues from Exhibit E) are not fixed, the capability erodes within 2–3 years, and with it the Excellent HSA rating that underpins the brand. Z: People capability is the foundation on which every other DKK advantage rests. No strategic option can succeed without first stabilising the workforce.

7. Physical salons — prime locations but maintenance risk X: 50 salons in wealthy neighbourhoods with luxurious interiors — KMI rates DKK higher than Luxe & Co on salon quality. However, only 6 of a target 17 salons were refurbished in 20X5, creating a growing backlog. Y: Prime locations are valuable and difficult for competitors to replicate (long leases, limited availability). However, the refurbishment backlog means the physical experience is gradually deteriorating — a salon not refurbished for 5+ years will look tired against a newly opened Luxe & Co salon with modern interiors. The premium brand depends on the physical environment matching the premium promise. Z: The refurbishment programme must be reinstated as a strategic priority. A tired salon undermines the brand at the point of client contact more than any digital weakness.

8. Digital capability is a critical weakness X: DKK has no online booking, no CRM, no loyalty programme, no meaningful social media (4,200 followers vs Luxe & Co's 37,000), a website rated "poor" on mobile, and 61% of premium clients agree DKK is "behind the times" on technology. 39% would consider switching to a competitor offering similar quality but better convenience. Y: Using **SWOT**, the digital gap is simultaneously DKK's most significant weakness and its most significant opportunity. It is a weakness because it is pushing clients towards digitised competitors (39% would consider switching); it is an opportunity because closing the gap — on a base of DKK's superior brand and skills — could drive retention, acquisition and retail revenue simultaneously. No other single intervention addresses as many KPI declines at once. Z: Digital modernisation is not a threat to the

premium brand — it is a prerequisite for its survival. The 61% "behind the times" figure is a clear market signal that clients want DKK to modernise.

STRATEGIC POSITION SUMMARY

9. SWOT synthesis X: Strengths — strongest premium brand (68% recognition), highest-rated hairdressers (74%), universal Excellent HSA rating, exclusive product partnerships, prime locations. Weaknesses — no digital capability, declining retention (84%→80%), declining margin (16%→10%), recruitment crisis (28 vacancies), refurbishment backlog. Opportunities — premium segment growing 8–10% p.a., 53% would pay more for evening/weekend appointments, 47% influenced by sustainability credentials, online retail potential. Threats — Luxe & Co expansion (8→22 salons), premium salon count up 158% (120→310), ex-DKK hairdressers launching competitors, 39% would switch for better convenience. Y: The overall picture is a business with strong foundational assets (brand, skills, exclusivity, locations) that is being gradually outflanked by competitors who are adding capabilities DKK lacks, while DKK's own internal metrics (margin, retention, satisfaction, vacancies) are all trending negatively. Z: DKK's strategic position is defensible but deteriorating. The window to act is narrowing — if KPIs continue declining at the current rate for another 2–3 years, the brand advantage may no longer be sufficient to offset the operational disadvantages.

10. Segmentation — DKK serves a narrow but valuable niche X: DKK's clients are from "the wealthiest demographic" and are "willing and able to pay a premium price." Average premium spend is \$110 per visit. DKK is "more immune to downturns" than most competitors. However, DKK's premium segment share has fallen from 14% to 9%. Y: DKK operates a focused differentiation strategy (Porter's generic strategies), serving a narrow affluent segment with a premium offering. This is strategically sound — the segment is growing fast and is less price-sensitive. However, focused differentiation requires the differentiators to remain genuinely distinctive. As competitors replicate DKK's offering, the differentiation narrows and the premium pricing becomes harder to justify. Z: DKK must either widen its differentiation gap (by adding capabilities competitors lack) or risk becoming one of many similar premium providers — at which point its premium pricing power erodes.

PART (b) — EVALUATION OF OPTIONS

OPTION A — DEFEND AND DEEPEN

11. Suitability X: Option A focuses on upgrading hairdresser skills, accelerating refurbishment, expanding exclusive products and launching a "Master Stylist" tier — while explicitly rejecting digital booking and extended hours. Y: Using SAF, the option is partially suitable: it addresses skill differentiation and the refurbishment backlog (genuine weaknesses), and the Master Stylist tier could address career progression issues raised in Exhibit E. However, it ignores the exhibit's clearest market signal — 61% of premium clients say DKK is "behind the times" and 39% would consider switching for better convenience. Choosing not to digitise is choosing to ignore what clients are telling DKK. Z: Option A strengthens existing advantages but does not address the capabilities gap that is driving client attrition and segment share loss.

12. Acceptability and feasibility X: The Creative Director supports Option A, arguing "our clients choose us because we are different, not because we are convenient." The Finance Director's capital constraints are less binding here as Option A requires less investment than B or C. Y: Option A is more feasible financially and less operationally risky. However, the client survey data contradicts the Creative Director's assumption — 39% would switch for

convenience and 53% would pay more for evening/weekend access. The risk of Option A is not that it fails, but that it succeeds at deepening a position that is slowly becoming irrelevant as the market moves towards digital-enabled premium. Z: Option A alone is insufficient. It preserves DKK's current strengths but does not arrest the declining KPIs or respond to the competitive threat from Luxe & Co.

OPTION B — MODERNISE AND GROW

13. Suitability X: Option B includes SalonConnect (\$2.8m), digital marketing, a loyalty programme, extended hours (0800–2000, seven days), environmental certification and 10 new salons. It maintains premium pricing and Excellent HSA standards. Y: Option B directly addresses every major weakness identified in the strategic analysis: digital gap (SalonConnect + social media), retention decline (loyalty programme), convenience gap (extended hours + online booking), sustainability gap (certification), and geographic coverage. It also responds to specific client survey data — 72% want online booking, 53% would pay for extended hours, 47% value sustainability. Z: Option B is the most strategically suitable option — it closes the capabilities gap with Luxe & Co while preserving DKK's core premium positioning.

14. Acceptability X: Total cost estimated at \$4–5 million over three years. DKK's operating profit is ~\$1.9m p.a. and debt-to-equity is already stretched. Founders will not inject equity. Y: The financial acceptability is the key challenge. At \$4–5m, Option B requires more than two years of current operating profit. However, many of the initiatives (SalonConnect, digital marketing, loyalty programme) are revenue-generating — the SalonConnect business case alone estimates \$2.51m net annual benefit. If benefits materialise even at 60–70%, the investment is self-funding within 2–3 years. The reputational return (countering "behind the times" perception) and retention return (reversing the 84%→80% decline) are harder to quantify but strategically critical. Z: The financial case is viable but requires careful phasing and possibly external financing (e.g. a term loan secured against the projected benefit stream, or phased implementation to spread cost).

15. Feasibility X: The HR Director warns DKK cannot staff 50 salons properly now and opening more without solving recruitment would "spread us thinner." Extended hours (0800–2000, seven days) would require significantly more staff or existing staff working longer shifts. Y: Feasibility is the weakest dimension of Option B. Opening 10 new salons while carrying 28 unfilled vacancies is operationally contradictory. Extended hours compound the problem — even at current salon count, seven-day coverage requires approximately 20–30% more hairdresser hours across the chain. Without solving the recruitment and retention crisis first (Exhibit E), Option B's growth ambitions will fail at implementation. Z: Option B's growth element (new salons and extended hours) should be sequenced after — not alongside — the workforce stabilisation measures recommended in Exhibit E. Digitisation and loyalty programme can proceed immediately; physical expansion should follow only once vacancy rates are below an acceptable threshold.

OPTION C — SECOND BRAND

16. Suitability X: Option C proposes a mid-premium "DKK Studio" brand: simplified DKK experience, lower prices, smaller salons, no exclusive products, HSA-qualified hairdressers, targeting clients who aspire to premium quality but cannot afford DKK. 15 new salons in mid-affluent areas. Y: Using Ansoff's matrix, this is a combination of market development (new client segment) and product development (simplified offering) — approaching diversification, which carries the highest risk. The "good-to-excellent crossover" market sits between DKK's current segment and competitors like Halo Hair. This is a new market for DKK with no proven demand data in the exhibit. Z: Option C addresses a plausible market

gap, but takes DKK into unfamiliar territory — different price points, different client expectations, different locations — while its core business is under competitive pressure.

17. Brand cannibalisation risk X: The CEO proposes that the DKK name would "not appear prominently" on DKK Studio salons to protect the premium brand. Y: In practice, the connection between DKK and DKK Studio will be widely known — through staff movements, supplier relationships, media coverage and social media. If DKK Studio delivers a lower-quality experience and clients associate it with DKK, the premium brand is damaged. Conversely, if DKK Studio is genuinely good, it may cannibalise DKK's own clients who would "trade down" to save money. The exhibit shows 39% of DKK clients would consider switching for better convenience — some of these might switch to a cheaper DKK-linked alternative. Z: The cannibalisation risk is significant and difficult to manage. "Not appearing prominently" is not the same as brand separation — true separation would require a completely independent brand, management team and supply chain, which adds cost and complexity.

18. Feasibility X: Option C costs \$6–8 million over three years. DKK cannot fund this from retained earnings or existing debt capacity. 15 new salons require recruiting and training a large number of additional hairdressers. Y: Option C faces the same recruitment constraint as Option B but magnified — 15 new salons require approximately 100+ additional hairdressers at a time when DKK cannot fill 28 existing vacancies. The \$6–8m cost exceeds three years of operating profit. Without external equity investment (which the founders have refused) or a major new debt facility, Option C is not financially feasible in the near term. Z: Option C is the least feasible of the three options given current financial and workforce constraints.

RECOMMENDATION

The combined A+B strategy addresses all declining KPIs (retention, margin, booking rate, retail share, vacancies, refurbishment), responds to every client survey concern (technology 61%, convenience 53%, sustainability 47%), and counters the specific competitive threat from Luxe & Co.

Memo

PART (c) — EMAS vs ISO 14001

1. Environmental Statement — EMAS requires public disclosure, ISO 14001 does not X: The Operations Director notes that if DKK publishes environmental data, it must be reliable and trusted. DKK currently has no environmental reporting of any kind, and the Riverside incident has created public scrutiny — a newspaper story shared 3,000 times and client cancellations citing reputational risk. Y: Under **EMAS**, a company must produce a **verified environmental statement** that is publicly available — disclosing environmental impacts, targets and progress. This statement must be independently audited. **ISO 14001** does not require any public statement. For DKK, which needs to rebuild public trust after the Riverside incident and counter the "poisons local waterways" narrative, a verified public statement is a powerful tool — it demonstrates transparency rather than simply claiming improvement behind closed doors. Z: The EMAS public statement requirement is an advantage for DKK given the reputational damage it needs to repair. Publishing verified environmental data proactively would shift the narrative from "caught polluting" to "transparently improving."

2. Initial Review — EMAS mandates a starting baseline, ISO 14001 does not X: DKK has never conducted an environmental audit. The data in the EXHIBIT 1s estimated by

regional managers rather than measured, and no salon routinely tracks environmental metrics. The Operations Director herself describes the figures as estimates. Y: **EMAS** requires a company to conduct an **initial environmental review** as its starting point — a systematic assessment of current environmental impacts before any targets are set. This review must itself be audited. **ISO 14001** does not require a formal initial review. Given that DKK has zero baseline data and has never measured its environmental impact, an initial review is not optional in practice — DKK cannot set meaningful reduction targets without knowing its starting position. Z: Whether DKK chooses EMAS or ISO 14001, it will need to conduct a thorough initial review across all 50 salons. EMAS formalises this requirement, ensuring the review is rigorous and audited rather than a superficial estimate exercise.

3. Mandatory Audit — EMAS requires compliance verification X: DKK has been disposing of chemical waste illegally across all salons and has a 90-day regulatory deadline. The authority found no documented waste procedures and no record of chemical waste volumes. Y: Under **EMAS**, key environmental metrics (such as carbon emissions, waste volumes and water usage) must be subject to **mandatory audit**. Compliance with environmental laws is assessed, and any gaps between actual practice and legal requirements must be explained and addressed. This audit discipline would force DKK to systematically verify that all 50 salons are disposing of chemicals legally — not just trust that salon managers have changed practice after a memo. Z: The mandatory audit requirement aligns directly with DKK's immediate need: the 90-day deadline demands provable compliance, not just good intentions. An EMAS audit framework gives DKK a structured way to evidence compliance to the regulator.

4. Strict Compliance — EMAS requires legal compliance for certification X: DKK is currently in breach of environmental waste disposal law across all 50 salons. The regulatory warning carries fines of up to \$50,000 per salon. Y: **EMAS** requires **strict legal compliance** as a condition of certification — if a company does not comply with environmental laws, certification is refused. **ISO 14001** only recommends legal compliance but does not make it mandatory for certification. This is a critical distinction: under ISO 14001, DKK could theoretically achieve certification while still having compliance gaps. Under EMAS, achieving certification would itself constitute proof to regulators, clients and the public that DKK meets all legal requirements. Z: Given that DKK's immediate crisis is a legal compliance failure, EMAS's strict compliance requirement is a strength — it forces DKK to fix the legal breach as a prerequisite, not as an aspiration.

5. Active Improvement — setting targets and tracking progress X: DKK has no environmental targets, no environmental KPIs, and sustainability sits on the risk register without any monitoring mechanism. The recycling rate is estimated at 12%. Y: Both EMAS and ISO 14001 require **active improvement** — setting environmental objectives, implementing action plans and reviewing progress. Under EMAS, this cycle is more prescriptive: specific goals must be set, put into action and checked against measurable outcomes. For DKK, this means moving from "we value sustainability" (a website statement) to measurable commitments — e.g. reduce water consumption by 15% within two years, achieve 50% recycling rate, eliminate uncontrolled chemical waste disposal entirely. Z: DKK should set salon-level environmental KPIs (water, energy, waste, recycling) and report them to the board quarterly. The EMAS framework would embed this target-setting and progress-tracking discipline into a certified management system, preventing it from being deprioritised when other operational pressures arise.

6. Overall recommendation — EMAS is more appropriate for DKK X: The regional competitor already holds ISO 14001. DKK's stated value is "we are intent on protecting the natural environment," its brand is built on being the premium leader, and it has just suffered

a public environmental incident requiring trust rebuilding. Y: ISO 14001 would match the competitor — but DKK's brand positioning demands leadership, not parity. EMAS is a higher standard: it requires everything ISO 14001 requires, plus an initial review, a verified public statement and strict legal compliance. For a premium brand that claims to lead, matching the competitor's certification is insufficient. Furthermore, EMAS's public transparency directly addresses DKK's trust deficit after the Riverside story, while ISO 14001's lack of a public statement requirement would leave DKK's environmental claims unverified in the eyes of clients and media. Z: DKK should pursue EMAS certification. Phase 1 (within 90 days): conduct the initial environmental review across all 50 salons and achieve legal compliance on waste disposal. Phase 2 (within 12 months): implement the full environmental management system, set targets and prepare for the first EMAS audit. Phase 3: publish the verified environmental statement and promote the certification as a brand differentiator that no competitor currently holds.

PART (d) — IMPROVING RELIABILITY OF ENVIRONMENTAL REPORTING

7. Align, Controls and Trust (ACT framework) X: The Operations Director flags that current environmental data is estimated rather than measured, DKK has no documented data collection procedures, and the board will need to ensure any published information is trusted by clients, regulators and the public. Y: Three measures improve the reliability of environmental and sustainability reports. First, **Align**: reports must connect to DKK's stated goals and mission — DKK's sustainability value and its mission of providing a premium experience should frame the report, so readers see environmental action as integral to the brand, not a bolt-on response to bad press. Second, **Controls**: DKK must create robust systems to capture, document and verify environmental data — replacing the current estimated figures with metered water readings, electricity bills, weighed waste records and documented disposal receipts at every salon. Without reliable input data, any published report lacks credibility. Third, **Trust**: the board must visibly demonstrate that senior management is serious about sustainability — this means board-level accountability (a named director owning environmental KPIs), allocated budget, and willingness to publish uncomfortable data (such as the current 12% recycling rate) alongside improvement targets. Z: Before publishing any environmental report, DKK should install water meters and waste tracking at all salons, establish a documented monthly data collection process managed by salon managers and audited by regional managers, and assign the Operations Director formal accountability for data accuracy.

8. Independent verification and voluntary reporting X: The Riverside incident created a credibility gap — "luxury salon chain poisons local waterways." Clients have cancelled bookings, and the story was shared 3,000 times. Competitors are already displaying environmental credentials on their websites. Y: Self-reported environmental data alone will not rebuild trust after a public incident. **Independent verification** — having an external auditor check the data before publication — transforms the report from a marketing document into a credible accountability tool. DKK should publish a **voluntary sustainability report** that goes beyond mandatory disclosure: proactively assessing and prioritising its environmental and social impacts using the Triple Bottom Line (Profit — cost savings from resource efficiency; Planet — measured reduction in waste, water and emissions; People — staff safety, community impact). A voluntary report signals that DKK is choosing transparency, not being forced into it by regulators. Z: Commission independent verification of all environmental data annually (this is already required under EMAS's verified environmental statement). Publish the sustainability report on DKK's website alongside its mission and values, and promote it through the digital channels recommended in Exhibit F.

Position the report as evidence that DKK's sustainability value is real — "we measure it, we publish it, we improve it" — turning a governance weakness into a premium brand strength.

Answer to Q2a

Briefing note

BOARD STRUCTURE — INSIDER DOMINANCE

1. No independent non-executive directors X: Mr Okafor's letter states that the only NED, Denis, is the co-founder and majority shareholder. The board therefore has zero independent NEDs. Denis recommended approval of both the Marcus Chen appointment and the StyleElite acquisition without challenge. Y: An independent NED is someone who can exercise objective judgment free from any relationship with the company that could interfere with that judgment. Denis fails this test — as co-founder, majority shareholder and the CEO's father-in-law (inferred from family shareholdings), his financial and personal interests are deeply entangled with the executive team. His role provides the appearance of non-executive oversight without the substance. The board has no one whose primary duty is to scrutinise and challenge executive proposals on behalf of all shareholders. Z: Appoint at least two genuinely independent NEDs with no family, financial or prior business relationship with DKK's management or majority shareholders. Their independence should be assessed against published criteria annually.

2. CEO's concentration of power — related-party appointments X: The CEO identified Marcus Chen (her brother) as the new Operations Director through an informal Easter meeting, set his salary \$18,000 above the departing director and \$30,000 above the next highest-paid executive, and presented him to the board as the sole candidate with no competitive process. Mr Okafor's letter also notes that the HR Director is the CEO's former college friend and the Creative Director is her former business partner. Y: Three of seven directors having personal relationships with the CEO creates a structural loyalty dynamic — these directors may be reluctant to challenge the CEO's proposals, consciously or unconsciously. The Marcus Chen appointment is a related-party transaction that should have triggered heightened scrutiny, yet Denis saw "no issue" and no director (except the HR Director's abstention) pushed back. The above-market salary compounds the concern: without independent benchmarking or a nomination committee, there is no mechanism to ensure the terms are fair to the company rather than favourable to the CEO's family. Z: Establish a nomination committee comprising independent NEDs to oversee all board appointments. Related-party appointments should require the conflicted director (the CEO) to recuse herself from the decision. An independent remuneration committee should set the salary by reference to external benchmarks, not the CEO's proposal.

3. Inadequate challenge culture — the StyleElite acquisition X: The CEO presented a \$1.6 million acquisition with a 10-day deadline, having already instructed lawyers before board approval. The Finance Director relied on seller-provided financials with no independent valuation. The Creative Director wanted to inspect the salons but was told there was no time. Denis said he "trusted the CEO's judgment." The board approved unanimously. Y: This decision-making pattern shows a board that defers to the CEO rather

than exercising independent judgment. A \$1.6m acquisition funded by debt (increasing borrowings to \$4.2m against \$5.1m equity) is a material commitment that warranted independent valuation, salon inspection, and proper debate — not a rushed vote driven by a seller's artificial deadline. The Creative Director's discomfort was visible but he voted in favour anyway, suggesting he felt unable to dissent. When the chair says "I trust the CEO," it signals to other directors that challenge is unwelcome. Z: Independent NEDs would provide the structural authority to insist on proper process — independent valuations, site visits, and adequate board discussion time — regardless of time pressure. The board should adopt a policy that no acquisition above a defined threshold (e.g. \$500k) can be approved without independent due diligence and a minimum board discussion period.

BOARD DIVERSITY

4. Skills gap — no digital, technology or external expertise X: Mr Okafor notes that no director has significant experience in technology, digital marketing, finance outside hairdressing, or corporate governance. All six executives have hairdressing industry backgrounds and five were promoted internally. Y: DKK faces critical strategic challenges in precisely these areas: the SalonConnect technology investment (\$2.8m), digital marketing transformation (Exhibit F), data protection compliance (Exhibit D), and governance reform itself. A board composed entirely of hairdressing professionals cannot provide informed oversight of a major IT implementation or a digital marketing strategy — they must rely entirely on external advisors (DSS, BSD) without the board-level expertise to challenge those advisors' recommendations. Z: When appointing independent NEDs, specifically target candidates with technology/digital, financial services or consumer brand experience. At least one NED should have sufficient financial and audit expertise to chair the audit committee.

5. Cognitive diversity — groupthink risk from long tenure and internal promotion X: Average executive director tenure is 14 years. Five of six were promoted internally. The youngest director is 46. The board has not changed materially in composition for over a decade. Y: Long shared tenure, internal promotion and personal relationships with the CEO create conditions for groupthink — directors share the same organisational experience, the same assumptions and the same blind spots. The board's five-year track record of declining KPIs (margin halved, retention falling, vacancies tripling) without apparent corrective action is consistent with a board that reinforces its own views rather than challenging them. The Marcus Chen appointment and the rushed StyleElite acquisition both passed with minimal dissent — patterns consistent with a board that defaults to consensus. Z: Board renewal should be a priority. Introduce a policy of maximum tenure for executive directors (e.g. nine years as recommended by governance codes for NEDs) after which the director may continue in a management role but step down from the board. Stagger new appointments to introduce fresh perspectives gradually without destabilising the team.

6. Demographic diversity X: The youngest director is 46 and the oldest is 72. The exhibit does not mention any structured consideration of age, gender or background diversity in board composition. Mr Okafor's letter focused on independence and skills, not demographic diversity. Y: DKK's client base, workforce and recruitment challenges all have a demographic dimension: younger hairdressers say DKK feels "behind the times" (Exhibit E), social media engagement requires understanding of platforms used by younger demographics, and the workforce includes 155 assistants who are likely to be considerably younger than the board. A board in which the youngest member is 46 may lack lived understanding of the perspectives of younger staff and clients whose expectations are shaping the industry's direction. Z: While demographic diversity should not override competence, the nomination committee should explicitly consider age, background and experience diversity when

defining the specification for new appointments. Including a younger NED with digital-native experience would strengthen the board's ability to oversee DKK's digital transformation.

BOARD EFFECTIVENESS

7. Reducing meetings from six to four — weakening oversight X: The CEO proposed reducing board meetings from six to four per year because meetings take directors away from operations and "most decisions can be handled by email between meetings." The Finance Director supported this. Denis agreed. The last two meetings overran and deferred agenda items. Y: The solution to meetings overrunning and deferring items is better meeting management (tighter agendas, pre-read discipline, time allocation), not fewer meetings. Reducing meetings weakens the frequency of board oversight at precisely the time DKK faces significant strategic decisions — SalonConnect, StyleElite acquisition, digital marketing, governance reform, recruitment crisis. The CEO's framing — that meetings take directors away from "operational duties" — reveals a fundamental misunderstanding of the board's role: the board's primary duty is governance and strategic oversight, not operations. "Decisions by email" removes the opportunity for real-time challenge, debate and dissent. Z: Retain six meetings per year minimum. Introduce a structured agenda with time allocations, mandatory pre-read papers circulated five working days in advance, and a consent agenda for routine items to free time for strategic discussion. The chair (once independent) should own the agenda, not the CEO.

8. No board evaluation process X: The exhibit states the board has never conducted a formal effectiveness review or individual director performance evaluation, despite directors averaging 14 years' tenure. Y: Without evaluation, the board cannot identify whether it is functioning effectively, whether individual directors are contributing adequately, or whether the mix of skills remains appropriate as the business evolves. The governance failures visible in EXHIBIT 3 — rubber-stamping appointments, rushed acquisitions, reducing meeting frequency — are symptoms of a board that has never been required to reflect on its own performance. Long-tenured directors who have never been evaluated may assume their approach is adequate simply because it has never been questioned. Z: Introduce an annual board effectiveness review. Year one could be a self-assessment questionnaire covering board dynamics, quality of debate, information quality and decision-making process. Every third year, commission an external facilitator. Results should be discussed by the full board with actions tracked.

9. Chair is not managing the board effectively X: Denis recommended approval of the Marcus Chen appointment without probing the conflict of interest, said he "trusted the CEO's judgment" on the StyleElite acquisition without requiring proper due diligence, agreed to reduce meetings, and allowed Mr Okafor's governance concerns to be dismissed without any action or further discussion. Y: The chair's role is to lead the board, ensure robust debate, manage conflicts of interest, and protect the interests of all shareholders — including minorities. Denis is doing none of these. He is acting as an ally of the CEO rather than an independent chair. His personal relationship (co-founder, majority shareholder, family connection) makes it structurally impossible for him to fulfil the chair's governance role objectively. The dismissal of Mr Okafor's letter — a minority shareholder raising legitimate governance concerns — is particularly concerning. Z: In the medium term, DKK should separate the chair role from the founding family by appointing an independent non-executive chair. In the short term, if Denis remains as chair, a senior independent NED should be appointed with specific responsibility for: leading the board where the chair has a conflict, serving as a contact point for minority shareholders, and chairing the annual evaluation of the chair's performance.

10. Minority shareholder voice ignored X: Mr Okafor (4% shareholder) wrote to the board requesting independent NEDs, an audit committee and a remuneration committee. The CEO dismissed his concerns as unnecessary, said she would "write to explain the board's position," and Denis moved to the next item with no discussion or actions agreed. Y: Minority shareholders have a legitimate interest in governance that protects them from majority shareholder dominance. Dismissing Mr Okafor's requests without discussion demonstrates precisely the insider-dominated culture he is concerned about — the majority shareholders and their allied executives closing ranks against external scrutiny. If DKK ever seeks external investment, listing, or sale, weak governance and a reputation for ignoring minority shareholders would reduce its attractiveness and valuation. Z: The board should respond substantively to Mr Okafor's letter, commit to specific governance improvements with a timeline, and invite him (and other minority shareholders) to an annual shareholder meeting where they can raise questions directly. Establishing the requested committees — audit, remuneration, nomination — would address his core concerns and demonstrate that the board takes all shareholders' interests seriously.

(b)

Slides:

1. NATIONAL HAIRDRESSING UNION (NHU)

Power: HIGH.

Interest: HIGH.

Key Player (high power, high interest)

2. HAIRDRESSING STANDARDS ASSOCIATION (HSA)

Power: HIGH.

Interest: MODERATE.

Keep Satisfied (high power, moderate interest)

3. DIGISALON SOLUTIONS (DSS)

Power: HIGH (and increasing).

Interest: HIGH.

Key Player (high power, high interest)

4. MINORITY SHAREHOLDER GROUP

Power: LOW (but potentially rising).

Interest: HIGH.

Keep Informed (low power, high interest)

5. SALON MANAGERS

Power: MODERATE (collectively significant).

Interest: HIGH.

Key Player (moderate-to-high collective power, high interest)

Speaker note:

1. NATIONAL HAIRDRESSING UNION (NHU)

X — Power: HIGH. 82% of DKK staff are NHU members, the union has explicitly threatened to ballot for industrial action, and the precedent of a two-week strike at a competitor caused \$1.2 million revenue loss and significant media coverage — the NHU therefore has the demonstrated ability to disrupt DKK's operations, damage its revenue and generate negative publicity at a time when SalonConnect requires staff cooperation to succeed.

Y — Interest: HIGH. The NHU's core purpose is to protect members' working conditions, and SalonConnect directly affects these — potential receptionist role changes, digital productivity monitoring, and altered working practices all fall within the union's mandate; the NHU has demanded consultation before implementation begins and has framed non-consultation as grounds for escalation.

Z — Classification: Key Player (high power, high interest) - Manage closely. DKK should engage the NHU proactively before the pilot begins: invite the regional officer to a formal consultation meeting, share the project plan, provide written assurances that no redundancies will result from SalonConnect (receptionists will be redeployed as "client experience hosts" per Exhibit A recommendations), agree a communication protocol for ongoing updates during implementation, and negotiate a written agreement on how digital scheduling data will and will not be used — this converts a potential adversary into a project partner and removes the industrial action threat before it materialises.

2. HAIRDRESSING STANDARDS ASSOCIATION (HSA)

X — Power: HIGH. The HSA controls DKK's Excellent rating across all 50 salons and has stated it would trigger an immediate re-inspection if consultation quality declines — losing the Excellent rating would directly undermine the premium brand positioning that justifies DKK's pricing, damage client trust, and hand a competitive advantage to Luxe & Co, making the HSA's power over DKK's brand and revenue indirect but very significant.

Y — Interest: MODERATE. The HSA's interest is specific and conditional rather than broad — it is supportive of the investment in principle and is not opposed to digital booking or scheduling; its concern is narrowly focused on consultation quality and patch test record standards, meaning it will only become actively engaged if it observes specific evidence of declining standards, rather than monitoring every aspect of the project.

Z — Classification: Keep Satisfied (high power, moderate interest) - Maintain standards and provide reassurance. DKK should respond formally to the HSA confirming that face-to-face consultation times will not be reduced, that digital scheduling will allocate minimum consultation time per new client, and that the client profile module has been designed to meet or exceed legal patch test record-keeping standards — invite the HSA to inspect the pilot salons early in implementation so that any concerns are addressed before full roll-out, converting the HSA from a risk into an endorsement if satisfied.

3. DIGISALON SOLUTIONS (DSS)

X — Power: HIGH (and increasing). DSS is the sole vendor selected, the \$340,000 annual licence creates financial lock-in, and DSS has now leveraged DKK's phased approach to restructure pricing in its favour — the pilot fee of \$1.4 million is 50% of the full project cost for only 20% of the salons, the \$38,000-per-salon charge is subject to a 12-month deadline after which prices are renegotiated, and the three-year minimum licence locks DKK

in regardless of how many salons go live; DSS therefore holds significant commercial power that increases once the contract is signed and switching costs rise.

Y — Interest: HIGH. DSS has strong commercial interest in maximising the contract value — the revised pricing structure shows DSS actively protecting its revenue against phasing risk, the 12-month renegotiation clause incentivises DSS to delay full roll-out completion so that pricing resets, and as a specialist vendor in a niche market DSS likely views DKK as a flagship reference client that it wants to retain long-term.

Z — Classification: Key Player (high power, high interest) → Negotiate hard before signing. DKK should not accept DSS's revised terms without challenge: negotiate the pilot fee down (the fixed software cost should not be fully duplicated), remove or extend the 12-month renegotiation deadline to 24 months, cap annual licence fee increases at inflation, secure contractual data portability guarantees (so DKK can extract its data if it switches vendor), include SLA penalties for system downtime, and — critically — obtain at least one competitive quote from an alternative vendor to strengthen DKK's negotiating position before the contract is signed.

4. MINORITY SHAREHOLDER GROUP

X — Power: LOW (but potentially rising). The minority group holds 9% of shares collectively, which is insufficient to block board decisions; however, their power could increase if they act together formally (e.g. through a shareholders' agreement or legal challenge), if they attract other minority shareholders to their cause, or if DKK ever seeks external funding or a listing — at which point governance weaknesses they have highlighted would become material obstacles; their power is currently latent rather than active.

Y — Interest: HIGH. The group's interest is clearly high — they have written formally to Denis, made four specific governance requests (quarterly reports, expenditure vote threshold, independent NED appointment), and framed their concerns around the declining operating margin (16%→10%) and the absence of an audit committee; their interest is not in blocking SalonConnect but in ensuring it is properly governed and does not further erode shareholder returns.

Z — Classification: Keep Informed (low power, high interest) - Engage transparently to prevent escalation. DKK should accept the minority group's requests as reasonable and low-cost: provide quarterly SalonConnect progress reports (cost vs budget, benefit realisation vs projection), agree a board-approved expenditure ceiling above which shareholder consultation is required, and accelerate the appointment of an independent NED — these actions cost DKK nothing operationally, satisfy legitimate governance expectations, and prevent the minority group from escalating to legal action or public criticism that would damage DKK's reputation; ignoring them risks converting a "keep informed" stakeholder into a hostile one with rising power.

5. SALON MANAGERS

X — Power: MODERATE (collectively significant). Individually, salon managers have limited power — the pre-seen confirms they are "closely controlled by regional managers and have relatively little autonomy"; however, collectively they control the day-to-day client experience across all 50 salons, and if they resist or passively undermine SalonConnect (e.g. by continuing to use paper books alongside the system, discouraging clients from booking online, or failing to enter consultation notes on tablets), the projected benefits will

not materialise — three managers have indicated they may take early retirement, which would compound the existing vacancy crisis.

Y — Interest: HIGH. SalonConnect directly changes how salon managers work every day — digital scheduling replaces their appointment books, tablets replace paper, and new KPIs will measure their performance differently; 25% are strongly resistant, 60% are anxious, and the concerns raised (fear of digital KPIs, system breakdowns, client complaints, lack of consultation) show this group is deeply engaged with how the change will affect them personally and professionally.

Z — Classification: Key Player (moderate-to-high collective power, high interest) - Involve in design and pilot. DKK should channel the 15% who volunteered into the pilot as system champions, involve the 60% "supportive but anxious" group through structured consultation — ask them what training they need, what support would make them confident, what backup procedures they want if tablets fail; address the 25% resistant group through one-to-one conversations with regional managers to understand specific concerns, and offer the three potential retirees a dignified transition rather than forcing change; the key principle is that salon managers must feel they shaped the implementation, not that it was imposed on them — their buy-in determines whether SalonConnect's \$3.03 million of projected benefits actually materialise or remain a spreadsheet exercise.

Answer to Q3 PART (a) — CULTURE

1. Culture of silence — staff do not speak up X: 45% of staff disagree that they feel comfortable raising concerns or ideas with their salon manager, and 59% disagree that their suggestions are listened to. The hairdresser's comment about evening appointments shows a concrete example: a commercially sensible idea was dismissed at salon level and never escalated. Y: This indicates a closed culture where information flows downward (head office

→ regional manager → salon manager → staff) but not upward. Ideas and concerns from the people closest to clients are lost. The pre-seen's centralised structure — where salon managers are "closely controlled by regional managers and have relatively little autonomy" — creates this dynamic structurally, not accidentally. Z: Leadership must signal that upward communication is valued. Introduce a formal "ideas channel" — a simple digital or physical mechanism for any staff member to submit suggestions directly to head office, bypassing the management chain. Publicly recognise and reward adopted ideas (including the receptionist's spreadsheet example) to demonstrate that speaking up leads to action, not reprimand.

2. Blame culture — mistakes are punished, not learned from X: 61% disagree that mistakes are treated as learning opportunities. The receptionist who created a client product-tracking spreadsheet was told to stop because it was not standard process — despite it being exactly the functionality SalonConnect later replicated. Y: A blame culture suppresses experimentation and risk-taking. If staff fear punishment for deviating from process, they will not engage creatively with new systems like SalonConnect — they will "do what they're told but not believe in it" (exactly the attitude DSS's trainer observed in the four slow-progress pilot salons). Innovation requires psychological safety — the confidence that trying something new will not result in reprimand. Z: The CEO should publicly acknowledge the receptionist's initiative as an example of exactly the behaviour DKK needs more of, and apologise that it was shut down. Issue a board-level statement that DKK is moving to a "test and learn" culture where sensible experimentation is encouraged, and where the only unacceptable behaviour is refusing to try.

3. Strategic disconnect — staff do not understand DKK's direction X: 53% disagree that they understand DKK's strategy and their role in achieving it. 65% disagree that senior management understands salon-floor reality. The salon manager's comment — "Everything is decided at head office... nobody will ask me how it should work in my salon" — captures both problems. Y: Staff who do not understand the strategic purpose behind a change will resist it or comply passively. The SalonConnect pilot shows this clearly: the four "slow" salons are using the system mechanically without belief, while the two failing salons are actively sabotaging it. If staff understood why SalonConnect matters (declining retention, rising no-shows, competitive threat from Luxe & Co), they might engage with the purpose even if they find the technology challenging. Z: The CEO should present DKK's strategy — including the competitive pressures and declining KPIs — to all staff, not just the board. Use regional town halls, salon visits and a written strategy summary. Frame SalonConnect not as "head office imposing technology" but as "our response to what clients are telling us they want." Staff who understand the "why" are far more likely to engage with the "how."

4. Over-centralisation stifles ownership X: The salon manager who cannot change a window display without regional manager approval, the hairdresser whose evening-appointment idea was blocked at first line, and the receptionist whose spreadsheet was shut down — all illustrate a culture where local initiative is systematically suppressed by centralised control. Y: DKK's centralised structure was designed to ensure consistent premium standards — a legitimate goal. But the unintended consequence is that salon-level staff feel no ownership of outcomes. If every decision requires upward approval, staff learn not to decide — they wait to be told. This is the opposite of the empowered, engaged workforce that a successful digital transformation requires. Z: Grant salon managers defined areas of autonomy — for example, authority over window displays, local marketing within brand guidelines, and scheduling adjustments (like the Thursday evening trial). Distinguish between decisions that must be standardised for brand consistency (salon design, product range, pricing) and those where local flexibility adds value (scheduling, display, community engagement). This is not a loss of control — it is controlled empowerment.

5. Leadership visibility gap X: The Operations Director noted that the CEO has not visited any pilot salon since launch and no board member has communicated directly with pilot staff. 65% of staff disagree that senior management understands salon-floor reality. Y: In a change programme, visible leadership commitment signals that the change matters. When the CEO does not visit, staff interpret this as the project being unimportant to senior leadership — or that leadership is detached from implementation reality. The two failing pilot salons are actively resisting; visible CEO engagement could either address resistance directly or demonstrate consequences for non-compliance, but silence from the top does neither. Z: The CEO should immediately schedule visits to all eight pilot salons — including the two failing ones — and hold face-to-face conversations with salon managers and hairdressers. This is not micromanagement; it is demonstrating that the board is invested in the change and that staff experience during the transition matters. Future roll-out phases should include scheduled board-level salon visits as a standard part of the implementation plan.

6. "Employer of choice" perception is weak X: Only 38% would recommend DKK as a great place to work (35% actively disagree). Combined with the 28 unfilled vacancies (Exhibit E) and younger recruits saying DKK feels "behind the times," the culture survey confirms that DKK's internal brand as an employer is significantly weaker than its external brand as a salon. Y: Culture and employer brand are connected: a closed, blame-oriented, over-centralised culture creates the working environment that drives hairdressers to leave (Exhibit E: 44 resignations in 20X5). Fixing the culture is not a separate initiative from fixing the recruitment crisis — it is the same initiative. Z: Set a board-level target to raise the "recommend as employer" score to 60% within two years, measured by annual survey. Tie this target to executive performance evaluation. Communicate cultural changes (ideas channel, autonomy, test-and-learn) as evidence that DKK is evolving — and use them in recruitment marketing.

7. Culture change must precede technology change X: The pilot results show a direct correlation between culture and technology adoption: the two successful salons are led by managers who volunteered, adapted and encouraged their teams; the four slow salons comply without belief; the two failing salons are led by managers who refused training and are actively blocking the system. Y: SalonConnect will fail not because the technology is wrong but because the culture is not ready. Rolling out to 42 more salons with the current culture will replicate the pilot pattern at scale — some success, much passive compliance, and pockets of active sabotage. The technology is only as effective as the people using it. Z: Pause the next roll-out phase until the cultural interventions above (ideas channel, strategy communication, salon visits, defined autonomy) have been implemented and the pilot lessons — including how to handle resistance — have been codified into a change management playbook for regional managers.

PART (b) — INTRAPRENEURSHIP AND ENTREPRENEURSHIP

Anika's proposal is a textbook case of intrapreneurship X: Anika is proposing to create something new (The Style Lab — creative, trend-led services targeting younger affluent clients) from within DKK, using DKK's existing resources (a section of a DKK salon, the DKK brand environment), at low cost (\$15,000 setup), with personal commitment (she would lead it, train an assistant, create all social media content). Y: **Intrapreneurship** is entrepreneurial activity within an existing organisation — an employee identifies an opportunity, proposes an innovation, and drives it using the company's resources while the organisation retains ownership and benefits. Anika's proposal fits perfectly: she is not asking to leave DKK but to innovate within it. The low setup cost (\$15,000 versus millions for new salons), the use of existing space, and the alignment with DKK's strategic needs

(younger clients, social media presence, creative differentiation) make this a low-risk, high-potential experiment. Z: The CEO should approve The Style Lab as a formal intrapreneurship pilot, with clear success metrics (new client acquisition, social media engagement, revenue per chair), a defined trial period (6 months) and a review date. Framing it as an "experiment" rather than a permanent change reduces the Creative Director's concern about "turning DKK into a playground."

Anika's proposal solves multiple strategic problems simultaneously X: Anika has 28,000 Instagram followers — more than DKK's entire company account (4,200). She is proposing to target younger affluent clients aged 25–40 who currently use independent stylists. She would document everything on social media, building DKK's online presence. Y: The Style Lab addresses the social media weakness (Exhibit F: DKK is invisible online), the client demographic gap (DKK's current clients are from "the wealthiest demographic" but skew older), and the retention issue (giving talented hairdressers like Anika a creative outlet reduces the risk she leaves to set up independently — Exhibit E shows 21 hairdressers left in 20X5 to start their own salons). Anika's 28,000 followers would generate more brand visibility than DKK's current entire digital marketing effort. Z: If the pilot succeeds, replicate the model: identify other high-performing hairdressers with specialisms (colour, editorial, grooming) and offer them "Lab" opportunities within DKK salons. This creates the career progression pathway that Exhibit E identified as a critical retention gap — a route to creative leadership without leaving DKK.

DKK's culture is currently hostile to intrapreneurship X: Anika's salon manager said her idea was "interesting" but he had no authority to approve it. She wrote directly to the CEO because "I believe this is the kind of innovation DKK needs" and noted that colleagues "don't bother suggesting ideas because they assume the answer will be no." The culture survey confirms: 52% disagree that DKK encourages new approaches. Y: The Style Lab proposal exists despite DKK's culture, not because of it. Anika had to bypass her manager and write directly to the CEO — and even then, the CEO was "unsure how this fits" and the Creative Director was dismissive. In a culture where 59% of staff say their suggestions are not listened to, Anika is an outlier. For every Anika who persists, there are likely several hairdressers who had ideas, were discouraged, and eventually left. Z: Approving The Style Lab sends a powerful cultural signal — it tells every DKK employee that ideas from the salon floor can reach the board and be acted on. This is the single most effective way to begin shifting the culture identified in Part (a): not through a policy document, but through a visible example of intrapreneurship being supported, funded and celebrated.

Intrapreneurship requires a formal framework, not ad hoc CEO access X: Anika's only route was a personal letter to the CEO after her salon manager could not help. This is not scalable — if DKK wants to foster intrapreneurship, it cannot depend on individual hairdressers being bold enough to write to the CEO, or on the CEO having time to read and act on every letter. Y: Sustainable intrapreneurship requires a **formal process**: a defined pathway for staff to submit innovation proposals, criteria for evaluation (strategic fit, cost, measurability), a small innovation budget, a named senior sponsor (e.g. the Creative Director or Marketing Director), and a commitment to respond to every submission within a defined timeframe. Z: Establish a "DKK Innovation Fund" — an annual budget (e.g. \$50,000) for approved intrapreneurship pilots, with a simple submission process open to all staff. Proposals are evaluated quarterly against defined criteria by a panel including the Creative Director and Marketing Director. Successful pilots are scaled; unsuccessful ones are closed with no blame. The fund's existence — and stories of approved projects — would directly address the culture survey finding that 52% feel DKK does not encourage new approaches.

When entrepreneurship (separate venture) is more appropriate X: The CEO previously discussed Option C in EXHIBIT 1 — launching "DKK Studio" as a separate mid-premium brand in new market segments. This was shelved due to financial and feasibility constraints (\$6–8m, 100+ new hairdressers needed). Y: **Entrepreneurship** — launching an entirely separate venture — is more appropriate than intrapreneurship when: (a) the innovation would target a fundamentally different market segment or price point that conflicts with the existing brand; (b) the organisational culture would constrain the venture's speed and flexibility; or (c) the venture requires capabilities the parent organisation does not have. DKK Studio met criteria (a) — a mid-premium brand at lower prices could cannibalise or dilute the DKK premium brand. Z: The Style Lab does not meet these criteria — it operates within DKK's premium segment, uses DKK's resources and brand environment, and targets an adjacent demographic (younger affluent clients) rather than a conflicting one. It is therefore correctly positioned as intrapreneurship. However, the board should establish a clear test: if a future proposal requires a different brand identity, different pricing, different locations and different staff — it should be evaluated as a separate entrepreneurial venture (like DKK Studio), with correspondingly different governance, funding and risk assessment.

Anika herself is a retention risk — act now X: Anika has 11 years' service, three national HSA wins, and 28,000 Instagram followers. She has identified a market opportunity, developed a business plan, and has the personal brand to execute it. Her proposal was met with hesitation from the CEO and dismissal from the Creative Director. No decision was made. Y: Exhibit E shows that the hairdressers most likely to leave are experienced, ambitious and commercially aware — precisely Anika's profile. If DKK does not give her a reason to stay (creative autonomy, recognition, a growth pathway), she will leave and take her 28,000 followers, her competition reputation, and approximately 35% of her regular clients (Exhibit E) with her. She may even launch The Style Lab as an independent salon — competing directly with DKK using the skills and reputation DKK helped her build. Z: The CEO should contact Anika within the week, thank her for the proposal, confirm it is approved as a pilot, and invite her to present The Style Lab concept to the board. Speed matters — every week of silence increases the probability that Anika concludes DKK is not the place for her ambitions and begins planning her exit.

Answer to PART (c) — PROCESS MANAGEMENT

1. Patch test process is dangerously incomplete X: The Kingsway hairdresser followed DKK's standard procedure correctly — checked for a patch test record, found one dated 14 months ago, and proceeded. However, the record contained no product-specific information, and the client had switched products at Riverside three months ago. The procedure does not

require verification of which product was tested or whether the client has visited another salon. Y: The process is designed around the existence of a test, not its relevance. A patch test for Product A does not protect against an allergic reaction to Product B — yet DKK's procedure treats all patch tests as interchangeable. This is a fundamental design flaw, not a human error: the hairdresser did what the process told her to do, and the process failed the client. The resulting negligence claim and HSA investigation directly threaten DKK's Excellent rating and premium brand. Z: Redesign the patch test process to require product-specific records: each test must log the exact product tested, the date, and the result. Before any chemical service, the hairdresser must verify that a valid test exists for the specific product to be used that day. In the short term, this means checking by phone with other salons if the client has visited elsewhere. Once SalonConnect is implemented, centralised client profiles eliminate this gap entirely — but the process redesign must happen now, before the next incident.

2. No inter-salon information sharing creates blind spots X: Riverside's digital client record included the product change, but Kingsway had no access because each salon's computer is standalone with no inter-salon connectivity. There is no process for alerting other salons when a client's product history changes. Y: DKK operates 50 salons under one brand, but its information systems operate as 50 independent businesses. A client who visits multiple DKK salons has a fragmented record — each salon sees only its own slice of the client's history. This is not merely inefficient; it is unsafe, as the Kingsway incident demonstrates. It also contradicts DKK's premium promise of personalised service — if a client mentions at Riverside that she wants to try a new colour, the Kingsway hairdresser should know this at her next visit, not discover it through an allergic reaction. Z: As an interim measure before SalonConnect, implement a simple cross-referencing protocol: when any client receives a chemical service, the salon emails a standard-format notification (client name, product used, date, patch test status) to all other DKK salons. This is imperfect but eliminates the most dangerous blind spot. SalonConnect's centralised client profile is the permanent solution and should be prioritised for this safety reason alone, independent of its commercial benefits.

3. Product launch process has no operational readiness checks X: The new product launched by email only. Three salon managers did not read the email for four days. Two salons had clients booked for the treatment but no stock delivered. No salon received product application training — hairdressers read the box instructions. One salon manager's question to head office went unanswered for six days. Y: The product launch process treats communication as one-directional (head office emails salon managers) with no confirmation of receipt, no readiness verification, and no feedback loop. This means head office assumes salons are ready when they may not be — a broken process that damages client experience (booked treatments unavailable), brand standards (untrained application of a premium product), and supplier relationships (a salon manager phoning the supplier directly). For a premium brand, delivering a new treatment from box instructions is unacceptable. Z: Redesign the product launch process as a checklist: (1) head office confirms stock delivery to each salon before launch date, (2) salon managers confirm receipt of product and marketing brief via a reply-required system (not just email), (3) a product training video or webinar is delivered before launch — not after, (4) a named head office contact is assigned for launch-week queries with a 24-hour response commitment. No product should go live in a salon until all four steps are confirmed complete.

PART (d) — ORGANISATIONAL STRUCTURE

4. Communication bottleneck between head office and salons X: Head office communicates with salon managers by email. Three managers did not read the product

launch email for four days. One manager's question received an auto-reply and no response for six days. The salon manager who needed guidance phoned the supplier directly because she had no effective route to head office. Y: DKK's structure creates a communication bottleneck: head office → regional manager → salon manager. If the regional manager is not actively relaying and chasing, information stalls. Salon managers are working hairdressers who split time between management and clients — they cannot be expected to monitor email continuously. The structure assumes managers are full-time administrators, but in reality they are spending most of their day cutting hair. This mismatch between role design and role reality causes systematic communication failures. Z: Create a dedicated operations coordinator role within each region (reporting to the regional manager) responsible for: confirming salon managers have received and understood head office communications, chasing delivery and readiness for product launches, and serving as the first-line escalation point for salon-level operational queries. This adds a coordination layer without changing the reporting structure, and frees regional managers to focus on performance and people management rather than chasing emails.

5. No deputy or escalation structure at salon level X: When the Kingsway salon manager was on a day off, no deputy existed. The most senior hairdresser made the decision to proceed with the colour treatment despite having no management authority or training. The memo states "no deputy or escalation process exists." Y: Every DKK salon has a single point of failure — the salon manager. When that person is absent (day off, holiday, sickness), there is no defined authority, no escalation route, and no one trained to make management-level decisions. In the Kingsway case, a hairdresser made a clinical judgment call (whether to proceed with a chemical treatment) that should have been a management decision — and the outcome was a hospitalisation and negligence claim. This is a structural gap, not a one-off failure. Z: Designate a formal deputy salon manager in every salon — an experienced hairdresser given specific training in decision-making, client safety escalation and DKK procedures. Define which decisions the deputy can make and which must be escalated to the regional manager by phone. This also creates a development step for hairdressers aspiring to management — addressing the career progression gap identified in Exhibit E.

6. Centralisation is too rigid for a 50-salon operation X: The salon manager who had questions about product interactions emailed head office and waited six days. She eventually breached procurement protocol by phoning the supplier directly — because the structure gave her no faster alternative. The regional manager's memo describes these as "symptoms" of structural communication gaps. Y: DKK's structure was designed when it was smaller — centralised control worked when there were fewer salons and the founders were directly involved. At 50 salons across five regions, the same structure creates delays, information gaps and frustrated salon managers who cannot get timely answers. The pre-see confirms salon managers have "relatively little autonomy" — but the Kingsway incident shows that when urgent situations arise, someone at salon level must be empowered to act. The current structure offers neither autonomy nor timely central support — the worst of both worlds. Z: Devolve defined operational decisions to regional manager level: authority to approve product queries, manage stock transfers between salons, and authorise emergency process deviations (e.g. cancelling a treatment when safety is in doubt). Head office retains control of pricing, brand standards, supplier contracts and strategic decisions. This is not decentralisation — it is structured delegation, matching decision-making authority to the level where the information and urgency exist.