

Good case study about analyzing annual report: vodafone inc

[Business](#), [Company](#)



1. Outline the three most important points – in your opinion – in the Chairman’s statement [pages 2]

Answer:

Referring to the Chairman’s Statement included in the beginning of the annual report, we found the following significant points that may be of interest to all the stakeholders:

i) Consistent steps towards expansion:

The company, in response to increasing demand for data services has been consistently investing in mobile and fixed capabilities that will assist them in expanding their network and offer service differentiation. The company has also kept its focus on balancing the long-term needs of the business with returns to the shareholders.

ii) Focus on Agency Problems:

The company has been making its best efforts to avoid agency problems between the managers and shareholders through its remuneration packages and reinvestment of proceed from various disinvestments back to the Vodafone shares. In addition, to rise in remuneration package of the executives, the company has also raised the dividend payout to the shareholders by 8%.

iii) Commitment to Society:

The chairman in his statement has also addressed the growing contribution of the company’s network in addressing illiteracy, supporting healthcare and budding entrepreneurs.

2. Outline the three most important points – in your opinion – in the Chief Executive’s Review statement [pages 12-13]

Answer:

i) Significant return to the shareholders through sale of interest in Verizon:

The company during 2013 sold its 45% interest in Verizon at a record price of \$130 Billion through which a return of \$85 Billion was generated for the shareholders of the company.

ii) Strategic Progress:

The company, despite of challenging economic conditions in Europe has been making consistent progress through various acquisitions in Germany, Italy and Netherlands. In addition, with data adoption turning into a mass market, the company is also witnessing growth in its 4G customer base. The company now have 4. 7 Million 4G customers in 14 countries which is expected to increase further amid rise in use of smartphones which will act as a stimulus in growth of network usage.

iii) Launch of Project Spring:

The CEO also discusses the ' Project Spring' which is an organic investment programme of the company to further expand their network base and offer service differentiation.

3. With reference to the Key Performance Indicators (KPIs) on pages 16-17, list the three KPIs which you are most surprised to see used. Explain why you choose these three and comment on why you think that these specific three are seen as useful by Vodafone. You should write about two (and no more than three) sentences per KPI.

Answer:

The three most surprising and uncommon KPI's ever noticed by us and used by Vodafone were:

i) Consumer Net Promoter Score: Rarely we find any company using this as KPI. The company has used this measure to judge the extent their existing customers will recommend Vodafone to their friends and family. This can be attributed to the desire of the company to know the existing customer satisfaction levels and if it as the level where it could be recommended to others as well.

ii) Relative mobile market share performance: This is not an uncommon KPI measure, however, the company included this despite of its low performance as compared to its competitors. This is an indication of providing a fair and balanced view of the company's performance to the shareholders.

iii) Mobile Network Performance Floor: Once again an uncommon KPI Indicator, but crucial for the company as it indicated as how well the company has performed in its domicile market of Europe in terms of providing high speed to its data users.

4. Outline the three most important points - in your opinion - in the Industry Review [pages 18-20]

Answer:

i) Overall Scale and Structure

The telecommunication industry continues to be a wealthy industry generating over \$960 Billion of service revenue every year. In addition, while the emerging markets such as India and Africa accounts for 74% of the total mobile users worldwide, however, the proportion of population having mobile phones is higher in mature markets such as Europe.

ii) Increasing growth:

The telecommunication industry is growing with an average pace of 9% every year where the main source of growth has been registered from emerging markets because of favorable factors such as:

- Young Population
- Faster Economic Growth
- Rising Market Penetration
- Less Fixed Line Infrastructure

In addition to above factors, the industry is also witnessing growing demand for mobile data worldwide.

iii) Strong demand for emerging markets:

The telecommunication industry is witnessing exceptional demand from emerging markets such as India and Africa. According to the forecasted demand by the industry analyst, by the end of 2017, 77% of the world's mobile users from the emerging markets.

5. Outline the three most important points - in the Operations Section of the Strategy Review on pages 32-33.

Answer:

i) Higher dependence on centralized functions:

The company now plans to use its central operations company, Vodafone Procurement Company that manages the strategic procurement of the company's spend, on a large scale as it allows the company to apply best practices across different spend categories and also achieve cost efficiency.

ii) Use of new technology to improve efficiency:

iii) Focus on reducing costs:

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During the year, the company was successful in reducing its operating expenses by 0.3 Billion in organic functions based in Europe. In addition, the company is entering into sharing agreements with other operators which allows the reduction in rent and cost of building new sites by 20% as compared to using the sites exclusively for sole purpose. By the end of 2013, the company was sharing three quarters of the new radio sites with other operators.

6. Outline the three most important points - in your opinion - in the Sustainable Business section [pages 34-35]

Answer:

The company through its business activities has been contributing largely towards economic and social development through:

i) Energy Savings and Cutting Carbon through providing ' Machine to Machine' solutions

ii) Raising ethical, labor and environmental standards in the supply chain

iii) Connecting rural and even distant areas with money transfer facility through M-Pesa

7. Outline the three most important points - in your opinion - in the Risk Management summary [pages 46-47]

Answer:

i) The company has introduced the risk management framework through which it reviews and controls the possible risk to the company. The framework is designed in a flow chart illustrating how the possible risk is discussed, reviews and is confirmed by the Board and then flows down in a

hierarchical manner to the risk coordinator

ii) The section also discusses various risks to the company and how they are planned to be mitigated.

Q8)

(a) How many directors are on the board in total?

Answer: The Board comprise of 14 directors: one chairman and 13 directors.

(b) How many directors are (i) executive and (ii) non-executive and what is the difference between these categories?

Answer: There are in total four executive directors in the board.

(c) What board subcommittees exist?

Answer: There are in total four sub-committee of the board, namely:

Executive Committee, Nomination and Governance Committee, Audit and Risk Committee and Remuneration Committee.

d) What are the objectives of these subcommittees

Answer: Below discussed are the objectives of each sub-committee

i) Executive Committee:

“To focus on financial structure, strategy, planning, competitive performance and group-wide policies.”

ii) Remuneration Committee:

The remuneration committee has the responsibility to “access and make recommendations to the Board on the policy on executive remuneration”

iii) Audit and Risk Committee:

“To provide effective governance over the Group’s financial results”

“To review the activity and performance of the internal audit function and external auditors”

“Management of the Group’s system of internal control, business risks and related compliance activities”

iv) Nomination and Governance Committee:

“To ensure the Board comprises individuals with the necessary skills, knowledge and experience”

“To have oversight of all matters relating to corporate governance”

(e) What, in your opinion, are the three most important points to emerge from this section of the report [pages 49-54 only]

Answer) Three important points of Corporate Governance Section are:

- The section gives detailed information about the governance framework and how it complies with UK Corporate Governance Board.

9. Outline the three most important points – in your opinion - in the Corporate Governance report [pages 51-56]

Answer: The three most important points discussed in this sections are:

- In addition to the roles and responsibilities of each board committee, this section also discusses Complete information relating to activities of the board, any conflicts of interests among the members of the board.
- Scope of the discussion in the roles and responsibilities of each board member.
- the board meeting is also discussed in this section.

10. What does corporate social responsibility mean? Does your company have a CSR section in their report? Provide a description (350-500 words) of this material and the message it communicates. Does it impress you?

Answer:

Also reported as "Corporate Citizenship", Corporate Social Responsibility defines the initiative and efforts taken by the company toward the betterment of the society and the environment. In general terms, it is the corporate initiative beyond what is required by the regulatory bodies. Over the decades, the term has gained significance in the corporate culture and most of the public organizations are ensuring that none of their business activities cost to the society or the environment. In addition, organizations are also reportedly making financial as well as real time contributions to launch programs that benefits the community and environment at large. As for Vodafone, the company has included all the information relating to CSR in the sustainability report where it discusses as how the business activities of the company are promoting social and economic development:

i) Enhancing standards in the supply chain:

Vodafone Inc. claims that it is consistently urging its various suppliers to adopt higher ethical, labor and environmental standards through an enhanced code of purchasing in the form of supplier conducted either solely or through collaboration with other telecom operators.

ii) Saving Energy and cutting carbon emissions:

The company claims that by providing Machine to Machine (M2M) solutions to its consumers, it is saving energy and has been cutting on carbon emissions. Even with increased customer base every year, the carbon emissions of the company have remained fairly stable thus providing a supportive hand for the betterment of the environment.

iii) Connecting People:

M-Pesa, a money transfer service launched by the company has turned crucial in connecting people even in remote areas. The money transferred by 17 million active M-Pesa users are supporting them to increase their livelihood primarily in low income nations as Africa where now many bank related services are being launched to support M-Pesa users.

11. Suppose your friend - who is not in the class - says: ' I hear that you are looking at Vodafone's annual report and you have answered parts 1 to 9 of your assignment. What are the most important points to emerge from your examination so far'? List between three and five of the most important points to emerge from your examination to date and briefly explain why you consider these points to be important.

Answer:

i) Revenue trend- The company has given a fair view that courtesy tough economic environment in European Market, the company has lost its

revenue growth; however, because of encouraging and successful market penetration in emerging markets such as India and Africa, it is highly optimistic that it will soon gain a growth in its revenue figures.

ii) Growing importance of emerging nations: The company in its operational review and industrial review has repeatedly stated that emerging economies as India and Africa will play a major role in its future growth as the data and voice usage in these nations has been growing at a rapid pace and by 2017, these economies will account for 77% of the total mobile users worldwide.

iii) Complete information relating to composition of Board: The Corporate Governance section includes extensive information relating to the composition of the board, its roles and responsibilities and how it complies with ethical code of corporate governance of UK. This will induce confidence among the shareholders relating to the fair representation of their agents and their activities.

iv) Compliance with CSR: Apart from disclosing its financial performance and plans, the company has also complied with its responsibility towards the community and the environment and the same has been extensively discussed in the Sustainability Report.

Works Cited

Corporate Social Responsibility. (n. d.). Retrieved November 11, 2014, from Investopedia: <http://www.investopedia.com/terms/c/corp-social-responsibility.asp>

Vodafone Inc. (2014). Annual Report 2014. United Kingdom: Vodafone Inc.