



## Question 3.1

Using your recent work experience, describe how you have used your professional judgement in choosing between options.

### EXAMPLE ANSWER

#### Strategic Decision-Making for LNG Storage Project Expansion

In February 2024, I played a key role in a strategic decision-making process at ABC Gas Limited (ABCgas) regarding the expansion of our LNG storage and distribution capabilities in Central China. The XYZ LNG Storage and Distribution Base Project was crucial to our growth and aligned with national energy policy. As Vice General Manager and Finance Director, I was responsible for evaluating and selecting the best approach for the project's expansion.

#### Option A: Phased Expansion Approach

This option involved constructing the storage tanks and infrastructure in two phases. The first phase would build two storage tanks with a combined capacity of 120,000 m<sup>3</sup>, with a second phase adding another 120,000 m<sup>3</sup>.

#### Strengths of Option A:

1. **Risk Mitigation:** Spreading the project across two phases reduced financial risk. If market conditions or regulations changed after the first phase, we could reassess or adjust the second phase, limiting exposure to potential setbacks.
2. **Cash Flow Management:** This approach allowed for better cash flow management by spreading capital expenditures over a longer period. It reduced the immediate financial burden and provided flexibility in securing additional funds.
3. **Operational Flexibility:** Starting operations with the first phase generated revenue sooner, which could be reinvested into the second phase, and allowed for adjustments based on real-time performance data.

#### Weaknesses of Option A:

1. **Increased Costs:** Phased implementation generally leads to higher total costs due to duplicated efforts and potential inflation in materials and labor. Regulatory changes could also increase costs between phases.
2. **Extended Duration:** The phased approach extended the project timeline, delaying the realization of benefits and allowing competitors more time to gain market advantage.

## Option B: Full-Scale Immediate Expansion

This option involved building all storage tanks and infrastructure simultaneously, completing the project in one phase.

### Strengths of Option B:

1. **Economies of Scale:** Building the entire project at once could reduce per-unit costs for materials and labor, potentially lowering total costs compared to a phased approach.
2. **Market Leadership:** Rapid completion would position ABCgas as a leading LNG distribution center in Central China, securing a significant market share and establishing a competitive edge.

### Weaknesses of Option B:

1. **High Immediate Capital Requirement:** This approach required a substantial upfront investment, which could strain financial resources and increase financial risk.
2. **Greater Risk Exposure:** Committing to the entire project at once exposed the company to significant risks if market conditions or regulations changed unexpectedly, potentially impacting profitability and delaying returns.

### My Judgment: Option A

After thorough analysis, I recommended the phased expansion approach (Option A). This decision was rooted in the need to balance growth with financial prudence. The phased approach supported our development strategy by providing flexibility to respond to unforeseen challenges and enabling a more manageable cash flow. This approach also ensured that we could start generating revenue from the first phase, which could then be reinvested into the subsequent phase. Although Option A had higher overall costs and a longer timeline, these drawbacks were outweighed by the strategic advantages it offered, such as reduced exposure to risk and enhanced operational flexibility.