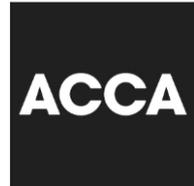


# Examiner's report

## SBL Strategic Business Leader

### Progress Exam July 2018



#### General Comments

The examination consisted of a 4-hour exam (240 minutes) with a single compulsory section. The marking scheme comprises 80 technical marks for the correct use and application of technical knowledge. For every element of technical content the answer needs to be applied to the case. In addition the marking scheme comprises 20 marks for professional skills and competences. Depending on the particular skill being examined in the requirement, the skill should be evident in how candidates answer the question.

Many candidates demonstrated a lack of evidence of planning. It is important that time is carefully allocated at the start of the exam. This will ensure that sufficient time is allowed for completing all of the tasks. Many candidates did not have time to attempt the later tasks.

The suggested time for reading, analysing the requirements and planning the approach to answering each task is 40 minutes. This allows 200 minutes for writing the answer, 2½ minutes for every one of the technical marks available. The professional marks will be earned in the way candidates construct and present their answer. Thus professional marks do not require extra time, just extra quality. For this exam, the approximate structure and recommended time allocation for each task is given below.

Time Plan	Marks		Minutes
	Technical	Professional	
Reading and planning			40
Task 1	20	+4	50
Task 2a	6	+2	15
Task 2b	8	+2	20
Task 3a	8	+2	20
Task 3b	10	+3	25
Task 3c	12	+3	30
Task 4a	6		15
Task 4b	10	+4	25
Total	80	20	240

SBL requires candidates to take on a role(s). In this exam the role was an independent self-employed management consultant who needed to advise throughout the task requirements. For each requirement candidates needed to prepare their response in a specified format. When preparing and writing an answer candidates needed to consider the format required, the use of an appropriate tone for the role and the target audience, and the appropriate content.

Identifying important information when reading the case study, planning, providing analysis and advice backed by evidence; and addressing the professional requirements are all essential skills needed to maximise marks in the SBL exam. Like all skills, they need practice.

## **Specific Comments**

### **Question One**

Q1 required candidates to prepare an independent report which assessed and appraised the two options from a strategic perspective. The report needed to allow the board of Nehby to compare and contrast the two options.

Many candidates extracted information from the case, but failed to explain how the information would inform the strategic decision. A number of candidates explained the evidence in relation to the decision, but only considered a limited amount of criteria and needed to develop the discussion in depth. Some candidates failed to consider the financial information they were given about NPV/payback, which should be a fundamental starting point for an investment decision. The question also required reasonably even treatment of the two options, but some candidates wrote much more about one than the other.

In the main most candidates attempted the required report format. Many lacked an introduction and summary. Although the question did not ask for a recommendation, a summary to a report would be normal business practice. It was also disappointing that many candidates did not make it easy to compare and contrast which is specific in the requirement. A point by point comparison of the two options is the clearest way to bring out differences between them.

### **Question Two**

Q2 required briefing notes for the board of Nehby.

Part a) required an explanation of the appropriateness to Nehby of diversifying risk by going into the hotel business. Many candidates explained the specific risks Nehby might face in the hotel business, making no reference to diversification which is specific in the requirement. This requirement was looking for ways in which the hotel was sufficiently different as a business model and in where it was located to allow the specific risk inherent in the existing restaurant business to be reduced by taking this option. Many candidates instead created new information, for example, suggesting the hotel might face the risk of fire. This highlights the need for candidates to take great care when reading the requirement and to consider the professional skills marks, which will also give an indication of what candidates should be considering when preparing and writing an answer. Scepticism requires candidates to probe, question and challenge information presented to them. However, some candidates who did discuss diversification only said that diversification by investing in the hotel would be good for Nehby without challenging it at all. This point would gain a technical mark if justified, but does not contribute to scepticism as there is no questioning of the fact that part of the hotel's income would be from the existing business, namely restaurant sales. Candidates who answered in context and explored diversification sceptically were well rewarded.

Part b) required candidates to consider the key factors which will influence the financing structure decision when acquiring the hotel. To gain professional marks candidates needed to consider the implications of each factor for the board of Nehby. Some candidates did not discuss a sufficiently wide range of factors. Determining what source of finance is appropriate is an important topic in SBL and is knowledge brought forward from FM, so candidates should be familiar with the issues to consider. Candidates who identified the key factors and used the case evidence to discuss the implications for the board were well rewarded and many achieved full technical and professional marks. Candidates who produced a technical answer on the factors failed to gain as many marks.

### **Question Three**

Q3 required a report for John Nehby (Finance & IT Director)

Part a) required recommendations, with justifications, of the measures which will be important for tracking all major project variables to ensure satisfactory progress towards the achievement of the project goals and the successful opening of the hotel. Professional marks could be gained for suitable measure which would be important for the control of the hotel project.

Many candidates identified the measures and referenced the measures to the hotel project and were well rewarded. However some candidates failed to apply their answer to the case and explained general project controls or gave measures that did not refer to the hotel project. Some candidates included KPIs to be used when the hotel is in operation which are not relevant measures for project control. Projects are unique with a defined beginning and end. On completion they become integrated back into the normal day-to-day activities of the business, which is when RevPAR and other specific performance measures for the operation of the hotel (covered later in Question 4b)) would become relevant.

Part b) required an explanation of the implications of the governance changes needed should a venture capitalist provide the equity funding needed for the hotel project. Candidates who answered in context and used the case evidence to explain the implications were well rewarded achieving good technical and professional marks.

Many answers focused primarily on loss of control and did not consider other significant areas such as changes to remuneration and developments in control and performance reporting. Some candidates made the same point regarding loss of control in as many ways as possible. Candidates should try to avoid repeating points already made. Points should be developed not repeated and the learning support material produced by the ACCA examining team around professional marks has emphasised that basic repetition without further development, shows a lack of general professionalism. Many candidates discussed governance changes that will not be required or helpful for Nehby or the venture capitalist as it will remain a private company with a small number of shareholders after the involvement of the venture capitalist. Candidates should only make relevant points and try not to include superfluous information or make unsupported points.

Part c) required an analysis of the current culture and an assessment of how that culture may need to change to align with the strategic aims of a venture capitalist and external shareholders. Many candidates only focused on the current culture and failed to gain the professional marks that were available for explaining the implications of the changes needed to the future culture of the

business. Although the question did not require the use of the cultural web, candidates who used this framework often found it a helpful means of ensuring sufficient aspects of the organisation's culture were covered.

#### **Question Four**

Q4 required presentation slides with supporting notes

Part a) required a presentation on the weaknesses of the current management accounting information in supporting decision making for the restaurant business. Some candidates failed to address the requirement which related to the management accounting information and presented slides on the weaknesses of the financial performance of Nehby. It is important to address the requirements as written. Answering the question asked is an indication of your ability to read and comprehend instructions appropriately and is a demonstration of professionalism expected in the workplace.

Part b) required a presentation on improvements to the management accounting information and identification of KPIs that should be included in the management accounts to support decision making for the hotel business. Some candidates failed to mention anything about the hotel in their answers. Those candidates who managed their time and attempted this part of the question were able to identify KPIs from the case evidence and gained technical marks. However many candidates failed to justify why the KPIs were relevant and failed to gain the professional marks.

Presentation slides and accompanying notes are a useful tool to convey information concisely to a wide audience and appear on both of the SBL specimen papers. Candidates should review slide presentation format as many answers were not presented in the required format.