



# Examiner's report

## Strategic Business Leader (SBL)

### March 2019

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for future candidates.

#### **General Comments**

##### Format of exam

The examination consisted of a 4-hour exam with a single compulsory section comprising 5 tasks most with more than one element, about an international clothing retail company, SmartWear.

The marking scheme includes 80 technical marks for the correct use and application of technical syllabus knowledge. For every element of technical content, answers need to be applied to the case material. Simply regurgitating rote learned facts will not attract any marks at Strategic Professional.

In addition, the marking scheme includes 20 marks for professional skills and competencies. The particular skill being examined in the requirement should be evident in how candidates answer the question, although candidates may draw on other skills as well when answering. When awarding professional skills marks, markers will look primarily at the professional skill being tested in the question requirement, but they will also look at the general professionalism that candidates are demonstrating.

##### *Exam performance*

Stronger candidates both integrated and used the relevant case study exhibits throughout their answers, as well as selecting appropriate syllabus knowledge to support the applied points they were making. They demonstrated professional skills through analysis and discussion, and in how they structured and presented their answers. Weaker candidates used pre-learned knowledge as the basis for their answers and did not integrate or apply the case material adequately. It was apparent that some candidates had neither read the guidance produced by ACCA nor worked through the specimen examinations or the two previous exams set.

Candidates need to spend sufficient time reading and assimilating the case study material before even contemplating answering the questions. The six exhibits:

- Provide the material that directly underpins the applied points that candidates should be making.
- Include necessary background information and explanation to provide context for the answers.
- Help candidates decide how to structure their answer
- Highlight the most important issues that answers should cover

Unfortunately, some answers failed to make sufficient reference to the range of available material or focused too much on one exhibit. *Candidates should always read the exhibits with the*

*requirements of every question in mind, as this helps them identify which questions will be drawing on the material in each exhibit.* In this exam, for example, the briefing notes prepared by the business development department for the consultant (Exhibit 1) provided information that was relevant throughout the exam, particularly as the candidate played the role of the consultant.

Candidates must also spend sufficient time planning to ensure that their answers are:

- structured logically;
- balanced in terms of the depth of discussion required with the breadth of points to be made;
- covering the most important points;
- not padded out with superfluous waffle, as this just wastes time and scores no marks, and
- avoiding unnecessary overlap and duplication, as marks are not awarded twice for the same point.

Generally, candidates answered all five tasks, although there was some evidence of shortage of time when answering their final task. It was also noticeable that the quality of some candidates' answers tailed off towards the end of the exam, with indications that they either mismanaged their allotted time or had run out of stamina. *Candidates are strongly recommended to attempt mock exams before the actual exam under full exam conditions, as this will help them to get used to the challenging demands on concentration, thinking and writing that a four-hour exam makes.*

Mostly candidates answered the questions in order. Where they did not, they appeared to be leaving one question, which they liked least, till the end. Candidates whose answers were not in the numerical order of the examination tended not to appreciate the implicit sequencing of events in the case and so produced answers that were more theoretical/academic than professional. *Candidates are advised to answer the requirements in order, as some future exams may follow a more developed timeline than this one, or have progressive and related question requirements.*

In most cases, those candidates who failed the exam did so because of a lack of comprehension of the questions, lack of analytical skills; failure to respond to exam questions in a professional/commercial manner, and simply not understanding what the question asked them to do. Some of the candidates who failed gave lengthy and over-elaborate answers which failed to clearly articulate the relevant points required by the question.

#### *Technical marks*

To gain each Technical mark, candidates need to make points which:

- Address the specific requirements of the question, considering the scope of answer required and what the question verbs used indicates should be provided.
- Apply to the organisation and its environment featured in the case study, in this case SmartWear and clothing retail industry
- Are specific to the decision or situation covered in the question
- Show the reader/marker why the point they are making is significant in the circumstances described.

A simple demonstration of technical knowledge or explanation of theory will not score marks in this exam.

Weaker candidates saw trigger words such as <IR> Integrated Reporting and wrote all they knew about the '6 Capitals' without considering their application to the question requirements or SmartWear's current situation. Using a technical framework unnecessarily as the basis for structuring an answer led many candidates into forcing their answer to fit the framework and, crucially, providing an answer that was not in a form helpful to its recipient. In Q1a) it was evident using the PESTEL framework was appropriate, however the material made no real reference to environmental or legal issues, but despite this, many candidates dovetailed their answer to fit the model. *Candidates must appreciate that models and frameworks are never going to exactly fit the answer in an SBL task, but they provide a good basis for generating relevant ideas and developing answer into a suitable and easy to follow [and mark] structure.*

Candidates often

- just repeated the case material verbatim, which would not secure any marks, and,
- did not answer the question set, e.g.Q4b), they failed to clearly indicate how the NPV analysis supported the CDMS investment or question the underlying assumptions that were made in supporting Exhibit 6.

Up to two technical marks are very often available for a well-developed point made. This can include

- evaluating how significant the points are;
- using information provided that relates the point to SmartWear;
- explaining the consequences to the company; and
- supporting the points made with relevant examples from the case material.

*Professional skills marks*

Many candidates had clearly thought about professional skills marks and attempted to present their answers in the appropriate format, tone or style, as requested in each requirement. However, there were many instances where candidates paid absolutely no attention to the format required so limited their scoring potential.

The format requested by the intended recipient will be supported by an answer that is presented clearly with headers throughout the answer, short focussed sentences and with paragraphs of 3-4 sentences. Candidates also failed to consider the needs and situation of the target recipient, e.g. using the same tone of answer for the company's board [Q5a] and the finance team [Q5b]. *Candidates need to explain points in ways that will enhance the understanding of the target audience, and address clearly what the intended recipients as most interested in, which may be specified in the case requirements or the exhibits.*

Candidates should remember that they are carrying out a professional task that has a particular purpose(s) for a defined user or stakeholder. This should simulate the normal professional working

environment that they are exposed to on a daily basis.

Further comments on specific professional skills, by question, are given below.

### *Specific comments*

#### **Question 1 a)**

On the whole this question was reasonably well answered with many candidates scored highly, and some achieving full marks. Most answers used the PESTEL model, some Porter's Five Forces, and a few SWOT. With the minority of candidates using all three, but by doing so the answers were very long and repetitive. This approach took a disproportionate amount of time to complete, with the result that their answers to Question 5 were often rushed and incomplete.

Most candidates picked up on the uncertain political environment, poor economy and growth of e-commerce as being the main points of interest, and developed these satisfactorily. However, a few issues arose with those candidates that did less well, and key problems included:

- Including elements of the PESTEL framework, namely environmental and legal, that were not referred to in the case material. In effect they attempted to fit an answer to the framework, rather than the other way around.
- Failing to link their observations to the mission, business model and strategic goals of SmartWear, which was the whole point of the question.
- Very long answers which included lengthy comparisons between the different locations in which the company operates.
- Heavy focus on internal decisions, e.g. the company is considering investing in CDMS and this would be beneficial because, etc.... [long explanation], at the expense of covering many of the different issues emerging from the environment.
- Straying into risks, and how they may be addressed which would be covered in part b)
- Inclusion of long introductions giving a lot of background about the company taken directly from the case material.

*Future exam candidates are strongly advised to produce answers that are of a length proportionate to the marks allocated to the question, and apportion their writing time between the questions accordingly.*

#### **Question 1 b)**

This was mostly answered fairly well with many of the candidates managing to identify several or more of the key risks and offer sensible solutions. Most focussed on poor market conditions and the lack of an e-commerce platform as risks to the business, with mitigation usually referring to changing suppliers and starting to sell on line. However, some answers were quite general and did not always refer specifically to SmartWear. A few good candidates drew from their Financial Management knowledge and included foreign exchange risk and hedging to mitigate, which scored well.

Many candidates adopted a tabular format to answer this question which allowed for more focused answers. The table reduced the temptation to include unnecessary material and deterred unnecessary repetition, and could be produced relatively quickly so was a good use of limited answering time.

Key problems encountered in this question:

- Straying into areas that are the topic of other requirements, e.g. too much focus on purchasing issues that would be covered in question 3, and extensive discussion around big data and CRM that would be covered in question 2 b)
- Linked to this, is picking up on the less relevant risk areas and presenting them with a focus that is not quite right, or struggling to clarify their thoughts in the way required by the question. An example is when there seemed to be an awareness that there is a problem linked to dominant suppliers, but rather than discussing this properly in context of the question and suggesting a sensible solution there would instead be a lengthy discussion around many of the issues with suppliers that would have been better placed in the answers to task 3
- Over-reliance on the TARA framework without any real attempt at application, e.g. simply stating that a particular risk should be 'avoided' but with no further explanation as to what action might be taken to achieve this.
- Producing the same or a very similar answer for both parts a) and part b). There was potential to deal with similar issues drawn from the case material, as it came under the same task, but in very different ways. Simply repeating 1 a) answers, which was evident on many scripts, scored no marks.
- Wholly inappropriate solutions, such as suggesting the company switches its strategic focus and starts selling 'luxury' clothing because the low-cost model isn't working in the recession. Other suggestions such as the company diversifies to a more 'essential' product stream, such as food, rather than clothing which no one will buy in a recession. Less extreme, but also badly thought out, were suggestions to shift from a well-established cost leadership strategy to one of differentiation. These propositions were usually made instead of suggesting that the company looks for new markets, or reduces its physical sites and invests in online retailing.

### Question 2a)

This was fairly well answered, although few candidates picked up on all the contributing factors. Some answers recognised the benefit of using Porter's Diamond model, whereas others were presented without any structure. The factors behind the relative success of SmartWear in Southland were largely identified, although in a reflection of not reading the question carefully, often far too much emphasis was based on the problems in Noria. Better Candidates provided more detail on their interpretation of these comparisons and why it meant the Southland market was performing better.

Key problems with this question:

- Producing lengthy detailed essays explaining Porter's Diamond in great detail, however failing to apply it effectively to the question set.

- Answers focusing heavily on what is ‘wrong’ with Noria, rather than what is ‘right’ with Southland
- Related to this, candidates that focused on the Noria situation instead of Southland’s also had a tendency to repeat huge amounts of the information they had already given across the two requirements in Q1.
- Repetition of information from the case material, particularly the table on Exhibit 4, with no indication as to why it was relevant, e.g. simply stating ‘there are more people under 30 in Southland’ but not expanding on the relevance of this point whatsoever.

### **Question 2 (b)**

On the whole this question was answered well, with most candidates identifying that it was good to stop the ongoing losses from the stores/market to be closed, and also identify the ethical issues of jobs being lost. Many candidates went further to identify the redundancy costs incurred and the increased level of unemployment. The best candidates showed more scepticism, and questioned the likelihood of the possible turnaround in Noria, the loss of presence/market share, damage to reputation and SmartWear brand, and aligned these issues to SmartWear’s strategy.

Some candidates did a good job applying Tucker’s 5 questions to make sense of difficult business decision and its consequences, relating to fiduciary duty.

However quite a number of candidates seemed to struggle with this requirement, many of them covering only strategic issues or ethical issues. Other problems identified include:

- Failing to answer the question was a key issue here. Many candidates spent a significant amount of time explaining why these stores may be failing rather than discussing the implications of closing them down.
- A significant number of candidates put a lot of effort into questioning why these particular stores had been selected for closure, and why it was those rather than others, and the criteria used to make the decision.
- Some particularly poor answers gave an answer based around Tuckers 5 questions, but did not discuss any of the issues beyond that. In the worst instances the discussion around the 5 questions was very generic, and so unlikely to earn many marks.
- Drifting off the point and going beyond the scope of the question by giving too much attention to alternative actions the company could take instead of closing down the stores was not required.

### **Question 3**

On the whole this question was answered well with many candidates able to pick up on a good number of the issues and make appropriate recommendations. It must have been a relief to do so for some candidates who appeared to have been trying to raise the points from this question in every other task that they had attempted so far.

Many good candidates used the common-sense structure: issue – outcome – recommendation, which tended to result in good [easy to mark] answers. Candidates were able to identify most of

the issues and so were able to pick up at least 1 mark, with an extra mark for using issues contained in the Internal Audit report [Exhibit 5]

Weaker candidates just reiterated the various problems in the scenario and possibly the outcome, but did not provide useful and/or sensible solutions. The main problems encountered in the answers to this task:

- Picking up on the issue ‘areas’ but not really explaining the issue itself
- Giving the same, generic, solutions for every risk identified, e.g. ‘staff training’ or ‘tightening of internal controls’ with limited or no further explanation
- Breaking down just one issue into many of the same, all of which were repetitive in their explanation, e.g. ‘increased competition’, ‘threat from e-commerce’ and ‘new entrants’ presented as three separate and distinct risks. Each would use the same or similar information in the explanation and the same or virtually the same suggestion for improvement (i.e. implement e-commerce).
- If the above approach was taken where the same risk was covered over and over; this was usually at the expense of identifying other risks. **Question 4(a)**

Candidates appeared to do well, with most earning very high marks for this question by correctly discussing the many benefits of a CDMS. Most of the answers noticed the more obvious benefits, e.g. analysis of trends, targeted marketing, predict future trends, inform future product lines and so on. However, other benefits, such as cost saving, accuracy of data, shared access, remote access and so on were, in the majority of cases, missed.

The biggest mistakes related to getting carried away with part of a relevant syllabus area, then taking it way too far. One common example was a strong focus on the 6 I’s of e-marketing – by doing this in a very generic, unapplied manner – and getting carried away with listing and detailing all the many different types of promotion that the company may choose to offer to its loyalty card customers. These candidates rarely answered the question that they had been asked.

Key problems with this question:

- Answers that were far too general and although technically correct, were not applied specifically to the SmartWear case.
- Exaggerated comments such as “the CDMS will automatically improve revenues”, or that it will “improve SmartWear’s market share”. The system itself will not do any of these, but its use at SmartWear could help the board achieve these results.

#### **Question 4(b)**

Answers to this task were fairly mixed, with some candidates producing very good answers and equally many others answering very badly. Some of the answers were very short suggesting that the candidates were unclear what to write.

Knowledge brought forward from Financial Management [FM] was helpful here, and some candidates did score more marks by making use of it when for example discussing the cost of

capital. Very occasionally there was evidence of knowledge from AFM that was appropriately rewarded, though obviously it could not be expected. However even candidates who made use of their FM knowledge did not query those elements, expected in a net present value appraisal, which were missing, so did not discuss issues such as tax allowances or working capital. All SBL candidates will have been expected to have passed the FM exam, and so should be able to sceptically appraise an NPV calculation, yet it was obvious than many had not brought forward their tacit FM knowledge.

A particular problem was the surprising number of candidates who framed their answers as a series of questions, e.g. ‘how realistic is the contribution?’ without answering their question, giving any further information or explaining what has caused them to question this. It was clear that these candidates could identify the key issues, but they seemed to struggle to effectively articulate the point they were trying to make.

Key problems with this question:

- Lack of basic financial management knowledge.
- No evidence of scepticism over the assumptions that underpin the logic behind the analysis.
- Stating the obvious but not developing it further.

### **Question 5(a)**

Most, but not all, candidates included a presentation slide and most had accompanying notes. However, the quality of these varied considerably, with some slides containing masses of text, and others one or two basic bullet points. Candidates should be able to communicate this way with ease, so it is suspected that many answers were rushed due to poor time management.

Many of the slides produced focused incorrectly on integrated reporting rather than integrated thinking. Unfortunately, many candidates appeared to have little or no idea what integrated thinking was, so marks were often limited to applying common sense.

*Candidates are encouraged to check that their syllabus knowledge is complete before sitting the exam.*

### **Question 5(b)**

Candidates seemed to have a fair grasp of the underlying syllabus knowledge, however they struggled to apply it to this situation. A good example is where the six capitals are discussed and generic definitions were provided with no context or application given. Therefore, the issue was correctly identified, but then the answer was not applied well.

The weakest candidates only listed the 6 Integrated Reporting Capitals, with only the best candidates able to show how these are clearly linked to how sustainable long-term value can be created for the SmartWear shareholders, as required in the question. There was little indication in most answers of being targeted to the specific audiences identified in the question requirement. This was very disappointing as this question could have scored higher marks, however it appears

that lack of time was a major contributing factor.

Key problems identified with this question:

- Answers in brief notation form, or not at all, due to poor time management.
- Lack of depth or focus to the precise requirement
- Repetition of points made in part a), even if they were more appropriate to this part of Task 5.
- Running out time!