



Examiner's report

Strategic Business Leader (SBL)

September 2018

General Comments

Format of exam

The examination consisted of a 4-hour exam with a single compulsory section, about a construction company, Cofold Construction Co (CC).

The marking scheme includes 80 Technical marks for the correct use and application of technical knowledge. For every element of technical content, answers need to be applied to the case.

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 integrated and used the case study materials throughout their answers to this exam, selecting relevant technical knowledge to support the applied points they were making. They demonstrated professional skills through analysis and discussion, and 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. Some seemed not to have read the guidance produced by ACCA nor worked through the specimen exams.

Candidates must spend sufficient time reading and assimilating the case study material. Often answers failed to make sufficient reference to the material or focused too much on one exhibit. The exhibits:

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

Candidates should read the exhibits with the requirements of every question in mind, as this will help them identify which questions will be drawing on the material in each exhibit. In this exam, for example, the extracts from the annual report (Exhibit 1) provided information that was relevant throughout the exam.

Candidates must also spend sufficient time planning, to ensure that their answers are produced in a logical order, cover the most important points and avoid unnecessary overlap. Question 1 in this exam, for example, required a single briefing paper with two parts. The focus of the second part (requirement (b)) should have been on what was covered in the press release (Exhibit 2), and these matters should therefore have only been referred to briefly in the first part of the paper (requirement (a)).

Generally candidates answered all four questions, though there was some evidence of shortage of time

when answering their final question, most often Question 4. It was noticeable, however, that the quality of some candidates' answers tailed off towards the end of the exam, with indications that they had run out of stamina. Candidates are strongly recommended to take mock exams before the actual exam under full exam conditions, to get used to the 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 out of order tended not to appreciate the timeline of the case and produced answers that were more theoretical. It is recommended that candidates answer the requirements in order, as future exams may follow a timeline as this exam did, or have question requirements that progress in other ways.

Technical marks

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

- Address the requirements of the question, considering the scope of answer required and what the question verb indicates should be provided
- Apply to the organisation featured in the case study
- Are specific to the decision or situation covered in the question
- Show the reader why the point being made is significant in the circumstances

Demonstration of technical knowledge or explanation of theory will not score marks in this exam.

Weaker candidates saw trigger words such as big data and wrote all they knew about the topic without application to the question requirements or CC's situation. Levering in a technical framework unnecessarily as the basis for organising 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. General remarks such as the company should consider health and safety or watch costs and time carefully will be insufficient to gain a mark as they apply to all contracts, not just the one being considered. Candidates also often just repeated case material, and, for example in Question 1(a), did not show clearly **why** the data might impact the decision of whether to accept the contract.

In addition, up to two Technical marks are very often available for developing points. This can include evaluating how significant the points are, explaining the consequences they will have or supporting the points with examples.

Professional skills marks

Many candidates had clearly thought about Professional skills marks and attempted to present their answers in an appropriate tone or style, as requested in each requirement.

However there were many instances where candidates paid no attention to the format required. Whatever the format requested, the recipient will be helped by an answer that is presented clearly with headers throughout the answer and which avoids overlong paragraphs. Candidates also failed to consider the needs and situation of the recipient, producing the same tone of answer for a junior staff member and the

company's Chairman. Candidates need to explain points in ways that will enhance the understanding of recipients such as junior employees. Candidates must also address clearly what recipients most wish to be discussed, 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.

Further comments on specific professional skills are given below.

Specific comments

Question 1(a)

This question required candidates to analyse financial and non-financial issues that would affect the decision of whether to accept a very large contract in a new country. Professional skills marks were available for analysis, selecting important data from the exhibits and demonstrating its implications for the decision. Both parts of Question 1 required answers to be in the format of a briefing paper for a board meeting, prepared by a non-executive director.

Most candidates identified that the profit margin would be acceptable. Strong candidates drew on their knowledge of financial management to discuss other techniques (sensitivity analysis, discounted cash flow) that could be applied to the contract and query cost estimates, particularly if the contract overran. They also extended the financial discussion to consider liquidity and the impact upon gearing. Discussion of non-financial factors often focused on the company's lack of experience with the terrain. Most candidates did not consider other aspects of operating in a new country, for example cultural and supply difficulties. Many candidates commented that the project would be the largest that CC had ever overtaken, but did not extend this to consider whether CC currently had sufficient management and operational resources to cope with the contract. Few candidates discussed in any detail the project's contribution to CC's strategic objectives.

To score high Professional skills marks, candidates needed to use a variety of information to produce a balanced discussion of financial and non-financial factors. Over-concentration on financial or non-financial issues therefore limited their marks. Some candidates failed to score marks because they just re-stated the information in the exhibits rather than analysing its importance for the decision. Many candidates used the suitable, acceptable, feasible (SAF) framework to structure their answers. Some employed it well, but others spent time defining the framework or forced their discussion to fit the framework, limiting their marks. A number of candidates produced an essay-type answer rather than concise briefing notes, therefore scoring low or no marks.

Question 1(b)

This question required candidates to discuss the difficulties in fulfilling the criteria relating to the contract laid down by the government minister who was responsible for appointing the contractors. Professional skills marks were available for commercial acumen, discussing real-life issues that would make fulfilling the criteria difficult.

Most candidates earned some marks for identifying problems with individual criteria, discussing the adverse impacts of weather and the terrain on cost and time taken. Fewer recognised conflicts between the criteria, the most common conflicts being discussed being the impacts of short time or low cost on the quality of the

road. Few candidates considered the long-term environmental impact of the road or the objective of reducing journey time.

To score high Professional skills marks candidates needed to explain that some criteria were not compatible, and others were impossible for CC to fulfil, either through not being achievable or through CC not being able to influence whether they were achieved. Some candidates failed to score Professional skills marks because they just stated what the government minister said without relating it to CC's circumstances.

Question 2

This question required candidates to evaluate critically the contents and summary of operational issues in a project initiation document prepared by a junior member of staff and recommend improvements. Professional skills marks were available for scepticism, using data in other exhibits to help identify problems with what had been prepared, and to communicate weaknesses and suggestions constructively to the junior member of staff. The format required was a memo addressed to the junior member of staff, from the project manager.

Some candidates did not appear to know what a project initiation document was or what it should contain. This was surprising, given that it featured in specimen exam 2 and was covered in the ACCA's article *Effective communication*. Other candidates knew what the document should contain, but demonstrated their knowledge by listing its full contents, rather than evaluating what had been produced as the question required. Many answers did identify some weaknesses and recommend improvements, although not always clearly explaining the reasons for what they had suggested. Omissions that were often not identified included assumptions, constraints, monitoring and communication. Some candidates gave guidance on improving layout, structure and style rather than concentrating on the contents. When discussing the operational issues section, candidates often focused too much on risks and did not discuss the other elements adequately.

Some candidates scored high Professional skills marks by framing the answer as a coaching tool, providing encouraging and constructive advice in a supportive tone. However, many candidates failed to address the memo to the junior staff member, some writing about him in the third person, and did not explain the significance of the points being made in a way that would help him. Candidates also limited their marks by failing to use other data to help identify and explain weaknesses in the summary. For example, other exhibits showed that the risk of disruption to wildlife and communities was an important environmental risk and one that the risk summary did not include, but many candidates did not mention this risk here.

Question 3(a)

This question required candidates to discuss the ethical and reputational concerns relating to what said in a meeting that discussed a break-in and injury to a protestor on the construction site for the new road. Professional skills marks were available for scepticism, clearly identifying the ethical problems and threats to reputation. The format required was a confidential memo to CC's chairman, from a consultant.

Most candidates identified a number of ethical issues, commonly covering up the facts, issuing unfounded statements and intimidation of staff. Stronger candidates also discussed the theme of leadership that underpins this exam, showing how the chief executive was failing to provide ethical leadership. Good candidates also linked threats to reputation to material in other exhibits, including CC's past health and safety problems and what CC had previously said about enhancing stakeholder relationships. However, many answers did not show clearly why issues identified were ethically problematic, or said that issues

threatened reputation without explaining why. Many answers covered control weaknesses that should have been discussed in part 3(b). A brief mention that certain weaknesses indicated a lack of care towards health and safety was fine in part (a), but answers to this part often went into too much detail and covered weaknesses that were not ethical issues.

Candidates who achieved high Professional skills marks used the issues in the meeting summary (Exhibit 5) to structure their answer, drawing on other exhibits to reinforce their points and centring their discussion on the chief executive. Candidates who failed to criticise the chief executive could not score high Professional skills marks, as the chairman had emphasised her concerns with what the chief executive was saying and doing. Candidates who used ethical models did not usually score high Professional skills marks, as they focused too much on particular ethical issues rather than raising the full range of ethical and reputational concerns. They also did not produce an answer in a format that would assist the chairman. Some candidates limited their marks by criticising the chief executive in words that were too blunt, even for a confidential memo that he would not see.

Question 3(b)

This question required candidates to assess the control weaknesses revealed at the meeting about the break-in at the site and recommend improvements. Professional skills marks were available for evaluation, showing the significance of different types of control weaknesses and making recommendations that were reasonable for CC and addressed the weaknesses. The format required was a summary for board review, prepared by a consultant.

Candidates mostly achieved high Technical marks by picking up a number of weaknesses and using the format of weakness, consequence and recommendation. Candidates who did not use this format often omitted consequences. Sometimes answers identified problems without relating them to control weaknesses. Recommendations were sometimes vague or too focused on the specific issue (for example, clearing up the oil) without addressing wider issues (supervision of site including inspection for dangerous conditions). Few candidates looked at issues with reviewing the operation of controls, such as internal audit's site review programme being inadequate or review recommendations not being implemented.

Generally candidates achieved good Professional skills marks by clearly following the suggested format. Lack of conciseness limited the marks of some candidates. Many candidates failed to achieve full marks by not providing a balanced evaluation that went beyond the immediate problems at the site and considered the wider oversight and review issues.

Question 3(c)

The question required candidates to advise the board of the advantages for CC of establishing a separate risk committee. Professional skills marks were available for commercial acumen, showing how establishing a separate risk committee would benefit CC in the light of what was known about its current management of risks. The format required was a briefing paper for the next board meeting, prepared by a consultant.

Generally this question was poorly done. The main weakness was candidates failing to meet the requirements of the question, using their answer to demonstrate their knowledge of what the risk committee does and the risk management process, without addressing the benefits of a risk committee. When candidates identified benefits, they most often covered the risk committee including specialist expertise on

non-financial risks and easing the heavy responsibilities of the audit committee. Some candidates recognised that the risk committee provided valuable reassurance to shareholders who might be concerned by the company's risk profile and previous risk management record. Few candidates identified the role of the risk committee in providing effective leadership in dealing with risks and communication to the board that was currently lacking at CC.

Candidates who failed to address the requirements of the question could not score Professional skills marks, as they had not provided the discussion of benefits on which their commercial acumen could be judged. Even where benefits were discussed, in many instances they were generic benefits that were not clearly related to CC's circumstances, meaning that candidates did not earn marks. Candidates who scored high Professional skills marks clearly showed how a separate risk committee would provide benefits for CC by addressing issues that other exhibits showed were important and might have been avoided had a risk committee been in place.

Question 4

This question required candidates to discuss the benefits and costs to CC of investing in big data analytics and evaluating the opportunity to undertake the additional service of long-term road infrastructure management. Professional skills marks were available for communication, presenting a concise and clear answer that would help the board understand the opportunities available for CC. The format required was slides and supporting notes, to be used by the chief executive to present to the board, prepared by a consultant.

This question was often poorly done. To score well for the first slide on big data, candidates needed to show how big data could provide information about traffic and road conditions that could be used in CC's operations and identify specific costs of using it. Many answers just discussed big data in generic terms, or used inappropriate examples such as Internet purchases, and therefore did not score Technical marks. For the second slide, candidates needed to have read the interview with the chief executive (exhibit 6) for the explanation of what infrastructure management would involve. Many appeared not to have done so, repeating comments about big data or just stating that CC would have a competitive advantage. Better answers identified infrastructure management as service development. Very few answers pointed out that the level of income CC would earn would depend on road usage or discussed the costs of infrastructure management.

Some candidates achieved high Professional skills marks by presenting relevant points on their slides that linked to the notes. Other candidates limited their marks by poor practice in presenting slides, for example presenting slides that were overlong or too detailed, or which did not clearly relate to the supporting notes. Candidates who produced generic answers about big data could not score high Professional skills marks, as their answers did not make the specific opportunities for CC clear to its board. Candidates who used terminology that board members might not have understood, and failed to explain it, also limited their marks.