



# Examiner's report

## Strategic Business Leader (SBL)

### December 2018

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, about a hotel chain, HiLite Hotels.

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, discussion and commercial awareness, and through 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 only one or two exhibits. 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 whilst keeping the requirements of each 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. Extracts from the minutes to the Board meeting (Exhibit 6) provided information which was largely specific to Question 3.

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(a) in this exam, for example, required candidates to consider the factors which had made HiLite successful in its home country. Question 1(b) then required candidates to evaluate the investment proposal in Veelandia. Therefore, the investment proposal should not have been considered in part (a) of the answer. Candidates are reminded to read the question requirements carefully and only address the question that is being asked. Good planning prior to commencement should assist this.

Generally, candidates answered all three questions, though there was some evidence of shortage of time when answering their final question, most often Question 3(b). It was noticeable 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 which a four-hour exam requires.

Mostly candidates answered the questions in order. Where they did not, they appeared to be leaving one question, which they liked least, until the end. Although this examination did not follow a timeline and therefore candidates should not have been disadvantaged by answering questions out of sequence, it is recommended that candidates should normally answer the requirements in order. Future exams may follow a timeline 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 requirement
- Show the reader why the point being made is significant in the circumstances

Demonstration of technical knowledge or explanation of theory without application will not score marks in this exam.

Weaker candidates saw trigger words or syllabus topics, such as 'Integrated Reporting' and wrote all they knew about the topic, without application to the question requirements or HiLite's own requirements. Similarly, 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 the recipient. For example, in Question 1(a) some candidates used a SWOT to structure their answer, which was not a particularly useful

framework and as such, presented information (weakness in particular) which was not useful to the recipient of the briefing notes. In addition, general remarks such as ‘the business should undertake more detailed analysis’ were insufficient to gain a mark, as in Question 1(b), as this was just not specific enough for the needs of the Finance Director in progressing with the decision to invest in Comfi Stay or not. Candidates also often just repeated case material, and, for example in Question 1(a), did not explain clearly **how** the factors identified had been important to the success of HiLite in its home country. For example, merely stating that HiLite has invested in a website was insufficient to explain how this had impacted on its success in Deeland.

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. This was definitely an improvement from the September sitting.

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 or repetitive information. Candidates need to explain points in ways that will enhance the understanding of the recipients, such as senior managers, customers or shareholders. Candidates must also address clearly what recipients most wish to be discussed, which will 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. It is vital that candidates read the technical and professional requirements together, as this will assist candidates to formulate their answers in the correct, style, tone and level of professionalism. An example of where candidates failed to do this was in Question 3(a). The candidates were asked to consider the challenges and applications of disruptive technologies within the technical aspect of the question and this answer should have been framed within the context of demonstrating the professional skill of scepticism of the Board members comments, made in Exhibit 6. Most candidates completely ignored this and failed to demonstrate any scepticism of the Board member comments at all. Therefore, although they may have presented a competent report format, if they had failed to demonstrate scepticism by challenging the Board members comments, then they were awarded few professional marks.

Further comments on specific professional skills are given below.

#### **Specific comments**

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

This question required candidates to discuss the key factors that have enabled HiLite to be successful in its home country of Deeland. This was requested by the Finance Director, in order to understand HiLite’s position in its home country before considering a proposal to acquire a

business in another country. Professional skills marks were available for analysis, selecting and considering the most relevant data from the exhibits and demonstrating its usefulness in assessing HiLite's position. Question 1(a) required the answer to be in the format of a briefing paper for a board meeting.

Most candidates identified and explained a reasonable range of both internal and external factors which had played a part in HiLite's success in Deeland. Strong candidates correctly recognised that the requirement could be addressed by applying Porter's Diamond model, to identify those factors of success specific to its home country. However, candidates were not penalised if they did not use this model, but still included a wide range of factors specific to HiLite's position in Deeland. These included national infrastructure, government support, strong supporting hotel and tourism industry and a highly competitive market place. Stronger candidates were also those that not only identified these factors, but also explained their significance to HiLite's success. Some candidates took an alternative approach and considered internal factors of success, such as commitment to staff, staff training and retention, significant investment in technology and excellent locations. These points were equally as valid, as long as they were explained in the context of how they had contributed to HiLite's success in Deeland. Weaker candidates were those that provided a very limited range of factors driving HiLite's success or those that provided examples of information included in the case material, with little or no explanation of its relevance to HiLite's success in Deeland. For example, some candidates focused too much on the Key Performance Indicators from Exhibit 1, without drawing sufficient conclusions or explaining why these were a factor in HiLite being a success. Others highlighted the outcomes of the success factors, such as "high level of customer satisfaction" rather than the factors themselves.

To score high professional skills marks, candidates needed to use a variety of information to produce a balanced discussion of a wide range of factors. Some candidates failed to score well on professional marks because they merely re-stated the information contained in the exhibits rather than analysing its relevance to the board discussions. Many candidates used either the Porter's Diamond or PESTEL frameworks to structure their answers. Some employed these 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. Candidates should also avoid repetition of points, as this demonstrates weak professionalism.

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

This question required candidates to evaluate the proposal to acquire the Comfi Stay hotel chain, based in another country. Professional skills marks were available for evaluation, presenting a balanced and objective appraisal of the relevant supporting information provided.

Many candidates used the suitability, acceptability and feasibility framework to structure their answer, which was appropriate and useful in this question. However, candidates were NOT expected to provide any definitions of the model or the individual elements. Most candidates earned some marks for considering the financial information presented in the factsheet in Exhibit 3. Stronger candidates were those that recognised that further analysis of the information presented in this NPV would need to be carried out before a final decision is made. This included advice such as undertaking sensitivity analysis on the revenues and key cost categories. Stronger candidates

also evaluated a range of other non-financial considerations, including strategic fit of the Comfi Stay hotel chain, potential cultural differences, staff and shareholder reactions and consideration of whether HiLite has the necessary resources for such an acquisition (both financial and expertise). Candidates were expected to use information from a variety of sources but largely from Exhibits 1, 2 and 3. However, candidates who used information from Exhibit 4, although not necessarily within the correct timeframe for this analysis, were credited, if the information was used effectively to specifically consider the potential risks posed to HiLite from this investment. Weaker candidates were those who provided very limited evaluation of the information provided in the case material, instead providing mere re-statements of the data provided. For example, to state 'Veelandia is 5000 miles away' is not sufficient, without further evaluation of its relevance to its impact on this decision. Weaker candidates also framed their answers as a series of questions, such as 'Do HiLite have the staff skills to manage a mid-range hotel?', 'How will shareholders react to the poor environmental practices of Comfi Stay?'. Candidates are strongly recommended to not frame their answers as questions. This is very poor examination technique and candidates are strongly encouraged to frame their responses as direct answers to the task that has been set.

To score high professional skills marks candidates needed to present a balanced and objective report, using a range of both financial and non-financial data. Most candidates did present in a suitable report format but stronger candidates (those scoring 'Quite well' or 'Very well'), were those who presented reports which were suitable for the needs of the Finance Director to gather sufficient and balanced information to make a sound and objective decision. Those candidates who scored 'not so well', were those who failed to present a sufficiently balanced evaluation to assist the Finance Director in the decision or those who merely repeated the material from the case, thus not demonstrating sufficient evaluation skills..

### **Question 2(a)**

This question required candidates to respond to the negative newspaper report (Exhibit 4), in order to reassure stakeholders of its social and environmental impact in Veelandia when acquiring the Comfi Stay hotel. Professional skills marks were available for communication, in clarifying the most appropriate information in an appropriate and convincing way to its key stakeholders. The format required was a press release addressed to all of HiLite's key stakeholders.

Some candidates answered this question very well. Most answers were well structured, with both social and environmental factors covered separately. Strong candidates used the information in both Exhibit 1 and Exhibit 3, relating to HiLite's current and planned action and investments in its staff and environmental awareness and management investment, to counter the criticisms presented in Exhibit 4. It was most encouraging to see the level of application in answers to this question, with many candidates using the supporting case material very well. Many candidates used the KPI's in the Chief Executive's Report to support HiLite's strong social and ethical stance and this was a useful way to convey the information. Weaker answers were poorly structured or failed to address a sufficient range of relevant actions by HiLite to counter the potential concerns raised in the newspaper article.

Candidates who scored high professional skills marks did so by presenting their press release in an appropriate tone which would communicate a strong and convincing message to most of its key stakeholders. Candidates scoring low professional skills marks were those who presented their

answers in an essay style and without consideration of the need to communicate a convincing and appropriate message to its key stakeholders.

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

This question required candidates to assess the role and benefits of Integrated Reporting in assisting communication and building relationships with its stakeholders. This requirement was driven by a Board discussion relating to the importance of keeping stakeholders informed of its key decisions and strategies, highlighted in Exhibit 5. Professional skills marks were available for evaluation, in assessing how useful Integrated Reporting would be for HiLite.

Most candidates identified some of the general benefits of Integrated Reporting, such as its role in communication of a wider range of information to stakeholders, other than financial reports. Stronger candidates also recognised its role in adding value to a wide range of stakeholders and also identified HiLite's key stakeholders who would be interested in such information. Good answers also discussed a range of potential benefits for HiLite's stakeholders, such as better information for investors' decision making and information for staff in relation to HiLite's investment in their development. Some candidates also correctly identified the ability to increase transparency and allowing stakeholders a better understanding of what the business does, which in turn creates trust. However, it was disappointing to see how many candidates did not demonstrate a sound understanding of Integrated Reporting, beyond being able to describe the six capitals. Weaker candidates went little further than basic definitions of Integrated Reporting and the six capitals, which did not address the question requirement. The six capitals were credited however, only where candidates correctly and appropriately explained how these could be used to communicate and create relationships with HiLite's stakeholders.

Candidates who achieved high professional skills marks demonstrated strong professional judgement in evaluating how important Integrated Reporting could be to HiLite, in particular in its role and benefits in communicating to its stakeholders. Candidates who merely described the general benefits and features of Integrated Reporting or who gave examples of the six capitals, with no application of their benefits to HiLite clearly failed to satisfactorily demonstrate professional judgement relevant to the Board members, and therefore scored low professional marks.

### **Question 3(a)**

This question required candidates to discuss the challenges to HiLite of the disruptive technologies highlighted in the Board meeting which were minuted in Exhibit 6. Candidates were also asked to consider how HiLite could apply disruptive technologies in its own business model. Professional skills marks were available for scepticism, in probing and challenging the opinions of the Board members, in particular the Operations Director and the Finance Director, in relation to the level of the threat posed by the disruptive technologies discussed. The format required was a report for the next board meeting.

This question was probably where candidate performed worst. Many candidates did not demonstrate a sound knowledge of disruptive technologies and many merely repeated the

information relating to Rent-a-room, directly from the case. Descriptions of disruptive technologies were generally vague and only the better candidates provided a meaningful and relevant explanation of how this may prove challenging to HiLite. Those candidates who achieved high technical marks did so by recognising the direct threat of Rent-a-room to HiLite, as a budget hotel. Candidates who did not attain high technical marks were those who failed to demonstrate sound syllabus knowledge and who merely repeated the case material. These answers most often wrongly focused on the benefits of setting up a website or getting a listing on one of the price comparison sites, as well as discussing OTA's and big data. It was evident that many candidates did not have sufficient syllabus knowledge or understanding of disruptive technologies to make a successful attempt at this question.

Many candidates achieved no or low professional skills marks on this question, as most failed to demonstrate any scepticism skills at all. There were several comments made by Board members referenced in Exhibit 6 which could have been challenged in candidate's answer to demonstrate scepticism, but very few candidates did so. This was largely down to poor exam technique, as candidates clearly failed to read the professional skills requirement in conjunction with the Technical skills requirement. Had they done so in this case, they would have noted the need to consider scepticism and question the opinions of the board members as part of their report.

### **Question 3(b)**

The question required candidates to advise the board on the outcomes of the three risks identified by the Finance Director in Exhibit 6 and to recommend actions to overcome these potential risks. Candidates were asked to present their answer as a slide presentation with accompanying slide notes. Professional skills marks were available for demonstrating commercial acumen in showing insight and understanding of HiLite's information systems risks.

This question was generally not well answered. Firstly, there was some evidence to suggest that some candidates had not left themselves sufficient time to answer this question adequately. Many answers were either presented as slides only or notes only. The main weakness of many answers was that candidates failed to meet the requirements of the question, by not presenting outcomes and recommendations of the three risks identified by the Finance Director in Exhibit 6. It was very disappointing to see that a significant proportion of candidates did not provide slides covering the 3 areas required (which were clearly specified) or focus on the outcomes and recommend actions. The outcomes were particularly weak in many answers, with some candidates merely repeating the same outcome (such as 'the business will lose its competitive advantage') for each of the three risks. For the first risk, many candidates correctly recognised the need for the appointment of an IT Director as a suitable recommendation to overcome the lack of strategic focus on IT/ IS. Some candidates provided a good range of outcomes and recommendations for the second risk identified. However, the third risk was not well addressed by most candidates, as there was evidence to suggest that most did not understand what business continuity actually referred to. Many candidates talked about risk committees and appointments of NED's which was not considered appropriate or the most relevant solutions to this risk.

Candidates who failed to address the requirements of the question could not score well on the professional skills, as they had not provided the discussion of risk outcomes and recommendations on which their commercial acumen could be judged. Even where recommendations were made, in

many instances they were generic and not clearly related to HiLite's risks, meaning that candidates did not earn high marks. Candidates who scored high professional skills marks clearly showed a good commercial understanding of the impact of the risks identified and the most appropriate solutions for HiLite.