

Strategic Professional – Essentials

# Strategic Business Leader (SBL)

September/December 2020 –  
Sample Questions



SBL

**Time allowed:**

4 hours including reading, planning and reflective time.

This question paper is an integrated case study with one section containing a total of 100 marks and ALL tasks must be completed.

All tasks contain Professional Skills marks which are included in the marks shown above.

**Do NOT open this question paper until instructed by the supervisor.**

**You must NOT write in your answer booklet until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

Think Ahead

**ACCA**

The Association of  
Chartered Certified  
Accountants

## Overview

The Bloom Conservation Organisation (BCO) is a not-for-profit charitable organisation set up to protect endangered wildlife around the world. It was founded 50 years ago by Dana Bloom, a wealthy entrepreneur with a passion for wildlife protection. She set up the BCO wildlife park in her home country of Geeland and, since it was founded, the wildlife park has provided intensive hands-on management of some of the world's most threatened animals. In the wildlife park, animals breed and increase in number while the keepers and wildlife experts study them to learn more about what they need to thrive in the wild again, before releasing them. The BCO also operates 20 'in the field' animal protection programmes (that is, animal welfare and management activities occurring in the animals' natural habitats) in 15 countries worldwide. The BCO employs teams of locally-based wildlife experts and volunteers to manage and protect some of the most endangered animals in the world.

Much of the BCO's income comes from donations from the public and from corporate donors. The BCO also generates income from legacies, which are donations left when people die. Geeland, as with many other developed economies around the world, has suffered from an economic recession for several years and many charitable organisations have struggled to survive in such difficult economic times. However, the BCO has managed to maintain its position as a world-leading charity in wildlife protection by implementing programmes of cost cutting, rationalisation, and more targeted and active promotion of its activities.

The BCO has a board of trustees which oversees the management of the charity, which is undertaken on a day-to-day basis by the management board. Dana Bloom, who is now over 80 years old, has very recently stepped down from her role as chairperson and a new chairperson, Rani Jeffels, has just been appointed. Rani Jeffels has a strong commercial background, having previously been a chief executive of several of Geeland's leading corporations.

You work as a senior finance manager of the BCO.

It is currently September 20X1.

The following exhibits provide information relevant to the case study.

- Exhibit 1. Extracts from the BCO's annual report – the extracts highlight the BCO's mission, vision, aim, and objectives and its main activities in the latest financial year ending 30 April 20X1.
- Exhibit 2. 'About us' page of the BCO website – the website page sets out the leadership structure and governance of the charity.
- Exhibit 3. BCO's financial activities and KPIs – a summary of the income and expenditure of the BCO for the last two financial years (20X0 and 20X1), including a summary of its KPIs.
- Exhibit 4. Charity sector research report – a recent research article detailing the main threats and opportunities facing the charity sector.
- Exhibit 5. The BCO's risk register – the latest risk register, identifying the key risks and mitigating activities identified by the risk committee.
- Exhibit 6. Article on charity leadership – a news article on the recent bad publicity surrounding leadership issues in the charity sector.

**The case requirements are included in the tasks shown below:**

- 1** The new chairperson, Rani Jeffels, has recently commenced his new role with the BCO and wants to find out as much as possible about the organisation. He has called a meeting with the management board and has asked for each board member to make a short presentation to assist him in better understanding the BCO. The chief finance officer (CFO) has been asked to present on the BCO's governance principles and activities, and its financial and non-financial performance in the latest financial year. The CFO has asked you to assist him in preparing for his presentation.

**Required:**

**Prepare a briefing note for the CFO which:**

**(a) Explains:**

- (i) The specific nature of the principal-agent relationship of the BCO as a charitable organisation;**
- (ii) The advantages for the BCO of having a two-tier board structure; and**
- (iii) How the BCO's mission and strategic objectives meet its key stakeholder needs. (12 marks)**

Professional skills marks are available for demonstrating *commercial acumen* skills in demonstrating understanding of organisational issues relevant to the BCO. (2 marks)

- (b) Analyses the financial and non-financial performance of the BCO in the latest financial year, 20X1, providing reasons for and implications of the results. (13 marks)**

Professional skills marks are available for demonstrating *analysis* skills in considering the relevant information and evidence relating to the BCO's financial and non-financial performance. (3 marks)

**(30 marks)**

- 2 In its recently published annual report, the BCO set out three strategic objectives for the next five years. The new chairperson is keen to understand in more detail how the BCO's external environment will impact on these strategic objectives and has asked the CFO to provide him with this information. The CFO has asked for your assistance in preparing his report.

**Required:**

- (a) **Prepare a report for the CFO which evaluates the extent to which the external environment could impact on the BCO's strategic objectives.** (15 marks)

Professional skills marks are available for demonstrating *evaluation* skills in objectively appraising the facts, opinions and findings relating to the BCO's external environment. (4 marks)

In addition to the recent investment made in updating the members' database management system, the chief executive officer highlighted in the annual report that the BCO is looking for further opportunities to invest in e-business technologies. The CFO has been asked to make a presentation to the board of trustees and he has asked for your assistance in preparing his presentation.

**Required:**

- (b) **Prepare three presentation slides (with accompanying notes) which recommend, with clear justifications, three applications of information technology that the BCO could use to enhance its e-business capabilities.** (15 marks)

Professional skills marks are available for demonstrating *communication* skills in using compelling arguments to persuade the board of trustees of the potential of e-business technologies for the BCO. (4 marks)

**(38 marks)**

- 3 The chairperson has asked to meet with the chief executive officer (CEO) to discuss the BCO's current risk management approach. The chairperson has concerns that the current risk register does not adequately evaluate the seriousness of the risks identified and that some relevant risks are not covered at all. He is also concerned that the risk mitigating activities are inadequate, in the light of recent changes and events in the external environment.

The CEO disagrees and thinks that the risk register and its risk mitigating activities are sufficient, and that the chairperson is overreacting to the BCO's latest financial results and the industry research report. She has asked for your assistance on this matter.

**Required:**

**Prepare a confidential report which evaluates the BCO's current risk register and the adequacy of each of the risk mitigating activities, clearly highlighting whether the chairperson's concerns are justified.** (15 marks)

Professional skills marks are available for demonstrating *scepticism* skills in questioning appropriately the opinions expressed by the chairperson and the CEO. (4 marks)

**(19 marks)**

- 4 Soon after you completed your report on the BCO's risk register and risk mitigating activities, you attended a meeting with the CEO and the chief finance officer. At the meeting the CEO raised her concerns that the board of trustees does not have a sufficient mix of skills and diversity and that the management board had, in the recent past, not undertaken sufficient professional development. She has requested a meeting with the chairperson to discuss this issue further. The CEO has asked for your assistance in preparing for this meeting.

**Required:**

**Prepare a briefing paper for the CEO which explains:**

- (i) The importance for the BCO's board of trustees to have a sufficient mix of skills and diversity; and**
- (ii) The importance of continuing professional development for the BCO's management board members to ensure that the BCO meets its obligations to its stakeholders.** (10 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in showing awareness of organisational and wider external factors affecting the work of the BCO's board of trustees and management board.

(3 marks)

**(13 marks)**

**Exhibit 1: Extracts from the BCO's annual report highlighting the BCO's mission, vision, aim and objectives and its main activities in the latest financial year ending 30 April 20X1.**

**Our mission**

Protecting and conserving our wildlife for future generations.

**Our vision**

A safer, healthier world where people respect and support our wildlife.

**Our aim**

To support and increase the number of healthy and thriving wildlife communities across the world and encourage everyone to be more involved in the natural environment they live in.

**Our strategic objectives**

We have set out three clear strategic objectives for the next five years. These are:

- Ensure that 100 threatened species are protected and returned to their natural habitat.
- Invest in 100 wildlife habitat projects across the world, through providing training and education for local staff, volunteers and communities.
- Ensure one million people are better connected with nature, through education and awareness of the natural world they live in.

**Review of 20X1**

Our financial position continues to be challenging. Operating a world-class wildlife park and global animal protection programmes is costly, hence our need for a range of income streams. This year, we reluctantly raised the price of admission to the wildlife park for the first time in five years. This decision was taken with a view to using the increased revenue to invest in better long-term facilities and experience for our visitors. Our wildlife park facilities continue to be popular, resulting in increased revenues from our on-site shop and café.

Income from legacies was down on 20X0, a continuing trend on the past few years, highlighting the volatile nature of reliance on legacy income. We sold one of our properties in the last year and two more will be sold next year to fund the extension of the visitor centre, which we hope will contribute to our objective of connecting people with nature. We were also successful in securing over \$2 million in grant-funded donations over the next few years. This is a significant source of income for the BCO and we are grateful to those organisations which have awarded these grants.

A huge amount of work over the year went into updating our members database management system, which will be in place in 20X2 and allow us to communicate more effectively with members and permit online fee payments. Further investment in information technology is a key to our growth in the coming years, in our drive to streamline our business and to educate and communicate more effectively with our stakeholders. We will be launching a re-designed website in 20X2 and are looking for new opportunities to use e-business technologies more effectively in areas such as online education, digital marketing and social media.

It is with great sadness that we said goodbye to Dana Bloom last month. Our founder had been a tireless supporter of the BCO and her work, imagination, vision and determination has played a vital role in making the BCO the world-leading charity that it is today. She has been inspirational in creating a world where many endangered animals have been given a chance to thrive. We wish Dana a very happy and peaceful retirement.

**Exhibit 2: ‘About us’ page of the BCO website, which sets out the leadership structure and governance of the charity.**

**BCO’s leadership**

Our two-tier board consists of the board of trustees and the management board.

**Board of trustees**

The governance of the BCO is vested in our board of trustees, which has overall control of the charity and is responsible for monitoring its strategic direction and ensuring it is in line with our mission and objectives. It is also responsible for monitoring the risks to which the charity is exposed, through the risk committee.

**Board of trustee members**

**Chairperson – Rani Jeffels** (61 years old) – Rani joined the board in August of this year. He has a masters’ degree in economics and joins the BCO having had a successful and varied career in industry, where he held numerous senior managerial positions, including chief executive of Springvale Foods Plc.

**Dr Boris Tilley** (68 years old) – Dr Tilley has been a trustee of the BCO for 12 years. He has had a lifelong passion for animal protection, having worked for many overseas animal charities throughout his career. He has a doctorate in literature.

**Mavis Reece-Boyd** (73 years old) – Mrs Reece-Boyd has been a trustee of the BCO for 11 years and is a lifelong friend of Dana Bloom and a keen supporter of animal protection. She has a degree in fine art.

**Sir Henry Ryde** (75 years old) – Sir Henry has been a trustee of the BCO for 14 years and has a strong commercial background, having worked in the financial services industry before retiring and taking up his position with the BCO.

**Dr Hardeep Khan** (48 years old) – Dr Khan has a masters’ degree in animal protection science and has worked in many of the most important animal protection sites across the world. He joined the board three years ago.

**Stella Bond** (58 years old) – Mrs Bond has been a trustee of the BCO for eight years and has commercial experience in retail sales.

**Management board**

Our highly experienced and dedicated management board is responsible for the day-to-day business of the BCO. It’s main duties are to develop and propose strategies to achieve our mission and objectives and to measure and report on the BCO’s performance. It takes responsibility for the management and delivery of our activities.

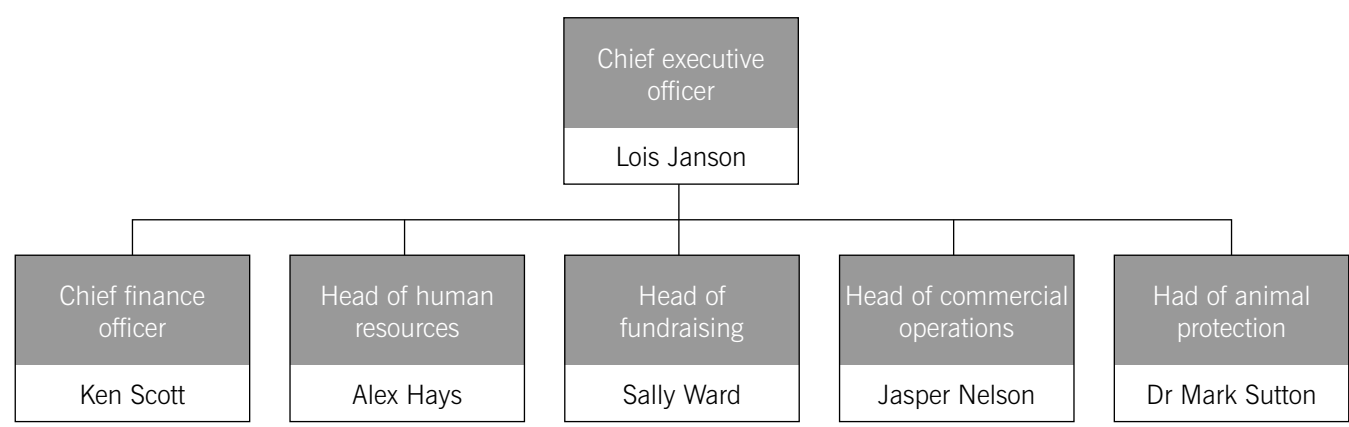


Exhibit 3: A summary of the income and expenditure of the BCO for the last two financial years (20X0 and 20X1), including a summary of its KPIs.

**Summary of Financial Activities:**

<b>Year ended 30 April</b>	<b>20X1</b>	<b>20X0</b>
<b>Income</b>	<b>\$'000</b>	<b>\$'000</b>
Wildlife park admissions	3,103	3,005
Membership fees:		
– Individual	1,973	1,923
– Corporate	210	90
Education programmes	2,023	2,155
Wildlife park shop and café	5,675	4,923
Donations, grants and legacies	7,283	8,625
Other – sale of property	525	–
<b>Total Income</b>	<b>20,792</b>	<b>20,721</b>
<b>Expenditure</b>		
<b>Charitable Activities</b>		
Animal support costs: Wildlife park (staff/animal food/medical/facilities)	10,063	9,220
Animal support costs: In the field (staff/facilities/transport/medical)	4,265	4,000
Staff training	1,000	1,110
<b>Commercial Activities</b>		
Costs of operating wildlife park shop and café	3,533	4,163
Costs of other commercial income	1,695	1,570
<b>Total Expenditure</b>	<b>20,556</b>	<b>20,063</b>
<b>Net Income</b>	<b>236</b>	<b>658</b>

	<b>20X1</b>	<b>20X0</b>
Number of paid staff employed (wildlife park and in the field)	344	351
Number of volunteers (wildlife park and in the field)	180	154
<b>Key Performance Indicators</b>		
Wildlife park visitor numbers	258,583	263,595
Income per visitor from café and shop	\$21.95	\$18.68
Average training days per staff member	4.8	5.1
Cost per staff training day	\$606	\$620
Number of external education training programmes run	145	151
Number of animals returned to natural habitats	1,680	1,595



## Why charities must change

THE GLOBAL CHARITIES INSTITUTE FOR RESEARCH

By Professor Aksel Parish

A number of events and changes have happened in the last couple of years which have given the managers of many charities some cause for concern.

Since the global recession over a decade ago, many countries are still feeling its effects and governments globally have been financially under pressure. This has impacted on the wider population, whose income has also been over-stretched.

Linked to this is the general financial position of charities. Many charities have for too long been over-reliant on a small number of funding options. If a funding source ends, the impact on a charity can be immediate and devastating. Many publicly-funded grant awarding bodies and corporate supporters of charities have reluctantly had to reduce their support for charities both financially and in terms of volunteering, as they have seen their own incomes reduced by the financial crisis.

However, public expectations of the work done by charities are still high, which places increased demands on all charities, and many have found themselves at risk of being unable to meet expectations. For example, many global nature and animal protection charities have seen demand for their support and protection increase dramatically, as habitats around the world are being increasingly destroyed by human activities. However, year-on-year these charities struggle to maintain stable funding levels.

Some of the decrease in charitable funding has been caused by 'donor fatigue', as people have become over-exposed to charitable requests and therefore stop donating. Some charities have been accused of 'hard-selling' their services, by bombarding donors with requests by post, email and on the streets. Charities have no doubt become more aggressive in trying to win donor support, resulting in some local authorities banning street donations to stop aggressive donor collection tactics. This also impacts badly on the general reputation and perception of the sector. More legislation is expected in the coming years to stop the use of 'hard-sell' marketing tactics used by some charities.

A younger generation of donors has also been brought up in a time of austerity and is less likely to donate to charitable causes. Some charities have recognised the younger generation as a potential source of donations and have used new forms of technology, such as social media platforms and mobile technologies, to effectively communicate and interact with a potential new source of supporter. However, some charities have been slow to protect and nurture the customers and donors they already have, missing the opportunity to build better relationships with them to encourage retention through the use of e-marketing and communication strategies. A failure to innovate or update organisational systems to match the needs of the society we live in may be a major downfall for many charitable organisations.

Exhibit 5: The BCO's latest risk register, identifying the key risks and mitigating activities identified by the risk committee.

Potential risk	Potential impact	Risk mitigating activities
<b>Fund-raising pressures</b>	<ul style="list-style-type: none"> <li>– Insufficient income to cover expenditure</li> <li>– Reputational risks of campaigns or methods used to raise funds</li> </ul>	<ul style="list-style-type: none"> <li>– Implement appropriate cost budgeting procedures</li> <li>– Monitor the adequacy of financial returns achieved (benchmarking comparisons)</li> <li>– Report fund-raising activities to stakeholders in annual report</li> </ul>
<b>Loss of key staff</b>	<ul style="list-style-type: none"> <li>– Experience or skills lost</li> <li>– Operational impact on key animal protection projects</li> </ul>	<ul style="list-style-type: none"> <li>– Succession planning</li> <li>– Agree notice periods and handovers</li> <li>– Review recruitment processes and policies</li> </ul>
<b>Increased competition in the sector</b>	<ul style="list-style-type: none"> <li>– Loss of income</li> <li>– Reduced public profile</li> </ul>	<ul style="list-style-type: none"> <li>– Monitor methods of service delivery</li> <li>– Monitor public awareness and profile</li> </ul>
<b>Operating in dangerous locations around the world</b>	<ul style="list-style-type: none"> <li>– Staff/volunteers injured or killed carrying out their responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>– Monitor and review activities in recognised dangerous locations and procedures to remove staff at short notice</li> <li>– Closely work with local security and safety services</li> <li>– Regular training</li> </ul>

The risk committee is chaired by the BCO's chairperson and has two other board of trustee members. The committee meets once a year to review the risk register and the activities being undertaken by the BCO to monitor and manage risks.

## ***The Geeland Times***

### ***Are charity leaders out of touch?***

#### ***Charities under increasing pressure to improve sector.***

By Grace Kline, Charities Analyst

Research for the Geeland Charity Commission has found that people are increasingly concerned about how charities spend their money and how they are managed and led.

The main reason given for trusting charities less, cited by over one-third of people questioned, was negative media coverage. Stories to have hit the headlines since the last survey include the collapse of two major health charities amid allegations of financial mismanagement, and the general perception that some charities are run more like clubs for old school friends, with boards of trustees being out of touch and unskilled for the modern world in which they operate.

Some of the major problems of charities in recent times have been poor strategic direction, driven largely by charities being led and managed by boards which seem to lack awareness of the changing world they now operate in. Many charities seemingly lack direction, strategy and forward planning, with issues being addressed piecemeal with limited strategic reference. Some of the blame for this

has been laid firmly at the door of the trustees, those people tasked with setting the charity's strategic direction. In a modern world, where charities are facing similar commercial pressures to profit making organisations, the question is whether charities can be run effectively by trustees with no commercial background and with limited understanding of strategy formulation.

In a presentation to Geeland's charity leaders this week, the Charity Commission's chairman, Lief Morten, said that the decline of the charity sector was 'a wake-up call for everyone who runs a charity'. He said 'Poor fundraising practices, poor management and weak, out of touch leadership have all combined to reduce public confidence in the charity sector.'

Morten said: 'The public wants to see charities account better for how they spend their money and that charities are making a positive difference to their causes. However, the damage done to the sector by these examples of bad practice must be balanced by the vast amount of energy, commitment and hard work put in by most charities.'

**End of Question Paper**