

This document should be read in conjunction with the examiner’s suggested answers and marking guidance.

**General comments**

This exam was based on a pre-seen scenario which described a company in the gym industry. The scenario was made available in advance of the exam and a number of variant exams were set, each offering additional scenario-based information and each setting three sections to be completed. Each section was split into two to four specific elements. The pre-seen scenario was detailed and well prepared candidates should have been able to give good answers in the context of the industry. The unseen scenarios were interesting and presented some realistic questions on the industry. Many candidates would have been familiar with this popular industry already and so some good contextual answers were expected.

Performance overall was reasonably good for many candidates but there were several weak areas on which candidates must improve in the future. Ethics was again one poor area and a lack of knowledge on some of the finance questions was surprising, e.g. many candidates appeared to have no knowledge of the 3 Es. Other specific areas of weakness were SLAs and macro environmental factors.

Another weakness was application which was often poor. Candidates seemed to be completely ignoring the exhibits which often follow the questions. This is really hindering candidates. In a number of tasks, having actually read the article would have been very useful and assisted them in formulating their answers, but it was quite apparent that many had not taken the trouble to read them. Candidates are losing marks by not paying attention to these exhibits and reading them carefully.

Most candidates now have a very good structure to their answers which is excellent, it makes it much easier to read and understand.

Some candidates had made good use of the pre-seen materials and showed understanding of the gym industry which was encouraging.



### **Looking ahead to future examinations**

Candidates should read the pre-seen material carefully and come into the examination understanding the industry and the company which will be the focus of the exam; this will help candidates formulate good answers that relate to the questions.

Candidates must read the exhibits which accompany most requirements carefully, failing to do so is costing candidates marks.

Candidates must manage their time well and make sure they do not run out of time on parts of sections they know well.

A good level of knowledge of the three strategic syllabi is necessary in order to do well in the exams. It is not sufficient to have knowledge of topics alone, candidates must be able to apply their knowledge to a variety of situations and show they have an in depth knowledge of the subject matter.

**Variant 1**

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Section 1</b>	Advise on advantages and challenges of acquisition vs organic growth	Technical skills	F3 C1a – evaluate the financial and strategic implications of proposals for an acquisition, merger or divestment, including taxation implications
	Advise on how to retain Glimmer staff – suggest how to reassure/manage change	Leadership skills	E3 C2a – evaluate tools, techniques and strategies for managing and leading the change process
<b>Section 2</b>	If use overseas supplier, advise how to make sure they meet requirements	Business skills	E3 A1d – recommend how to build and manage strategic relationships with stakeholders
	Advise home vs local supplier with pros/cons	People skills	P3 A2a – recommend techniques that will enable the board to discharge its responsibilities with respect to managing risks
<b>Section 3</b>	Advise on generic strategy - Porters stuck in middle dilemma	People skills	E3 B1a – recommend how to build and manage strategic relationships with stakeholders
	Advise on risk of not achieving objectives/mission statement	Business skills	P3 A1a – identify the types of risk facing an organisation
	Explain and recommend KPIs	Leadership skills	P3 B1a – recommend appropriate measures for the strategic control and direction of various types of organisations
	Advise on raising finance	Technical skills	F3 B1b – evaluate and compare alternative methods of raising long-term debt finance and B1c – evaluate and compare alternative methods of raising equity finance

## Comments on performance

### Section 1

#### *Part 1*

This requirement asked about strategic advantages and challenges of acquiring Glimmer on an international basis compared with traditional home based organic growth.

Candidates on the whole were successful in highlighting advantages of acquiring Glimmer particularly at a low price but rather less able to define potential difficulties and conflicts. Many candidates did not discuss the challenges at all and did not score well for this question.

#### *Part 2*

This requirement asked about how to ensure staff retention and motivation throughout the acquisition process. Candidates were very mixed in their abilities to differentiate factors to be applied in providing on-going motivation through the acquisition. Better candidates highlighted complete change control management, communication, leadership and mutual involvement in setting change objectives. However very few related this directly to the scenario and responses tended to be rather theory bound. Many candidates expressed the need for communication by senior management but mostly related to one way information giving rather than two way communication with staff.

### Section 2

#### *Part 1*

Candidates on the whole gave good comparisons between the two suppliers, drawing out the differences between local versus international liaison and shipping. However, too much emphasis was placed on the simple pricing factor. Few candidates were able to foresee the potential issues which appear evident from the scenario. Candidates must pay attention to the scenarios and exhibits in the case study as they contain vital information which helps to form a good answer.

### *Part 2*

Candidates were very weak on all aspects of this requirement. Many mentioned an SLA with no concept about what should be in the SLA. Few were able to articulate any aspects of contractual follow through on installed equipment failure. Some revision of the topic would be desirable before the next attempt as many of the answers were very weak.

## **Section 3**

### *Parts 1 and 2*

Candidates were able to highlight Royal's market position and the conflicts with the Glimmer model occupying different market positions. On the whole this was well answered with the best candidates drawing not only on the potential to reap rewards from adopting the best parts of Glimmers strategy but highlighting the need to differentiate this from the existing Royal strategy, perhaps by setting a new enterprise profile to promote the new strategy.

### *Part 3*

Candidates on the whole were able to identify unique KPIs relating to the new luxury gyms and to identify the reasons for the need for different KPIs. Most commonly, measures related to additional spend per person or per visit. Good candidates had a very good discussion on these issues.

### *Part 4*

This requirement was well covered by most candidates giving both alternative sources for funding and drawing on the departure of the current venture capitalists. Weaker candidates tended just to focus on one part of the task either funding or the departure of the venture capitalists and did not gain high marks.

**Variant 2**

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Section 1</b>	Advise on strategic benefits of a merger and the strategic problems/ drawbacks for Royals	Technical skills	F3 C1a – evaluate the financial and strategic implications of proposals for an acquisition, merger or divestment, including taxation implications
	Communicate to key stakeholders	People skills	E3 A1d – recommend how to build and manage strategic relationships with stakeholders
<b>Section 2</b>	Explain need to change composition of the Board	People skills	P3 B3a – evaluate the risks associated with poor governance structures
	Assess influence of the competitions authority on the decision and advise on relationship management	Technical skills	F3 C1a – evaluate the financial and strategic implications of proposals for an acquisition, merger or divestment, including taxation implications
	Evaluation the merits of a bonus system	Business skills	E3 B1b – recommend strategic options
	How to motivate staff to remain loyal to a merged organisation if they do not receive a bonus	Leadership skills	E3 C3a – evaluate the role of the change leader in supporting strategy implementation
<b>Section 3</b>	Advise on risks and merits of Big Data Analytics	Business skills	P3 B1a – recommend appropriate measures for the strategic control and direction of various types of organisations
	Explain restraining / driving forces for Big Data (including team formation)	Leadership skills	E3 B1a - evaluate the processes of strategic analysis and strategic options generation and P3 C2a – evaluate the essential features of internal control systems for identifying, assessing and managing risks

## Comments on performance

### Section 1

#### *Part 1*

The first part of the task was answered very well. Many candidates provided a wide range of relevant and well discussed benefits, including the achievement of its stated strategic objectives (from the pre-seen) and access to the technology used by Gymgo. It was very pleasing to see so many well applied answers with sound evidence of a good understanding of the pre-seen material and good application of this to the requirement. Most answers made good use of the un-seen exhibit to demonstrate some of the operational problems, such as location of Gymgo gyms and outdated equipment. Many candidates presented a wide range of relevant discussion points and encouragingly, most of these were well applied to Royals and Gymgo.

#### *Part 2*

The second part of the task was not as well answered as the previous part. Some candidates merely took a stakeholder analysis approach and identified the power and interest of a range of stakeholders, which was not asked for. Some candidates merely listed a range of communication techniques without identifying clearly who these would be appropriate for and why. Overall, answers to this question were rather thin and vague and not well applied to Royals.

### Section 2

#### *Part 1*

This part of the question was answered reasonably well by most candidates. Most candidates demonstrated a sound knowledge of board structures and sound corporate governance but many answers were general and not applied directly to Gymgo and Royals. Those candidates that scored well recognised the duplication of key positions and the need for additional Board roles in IT and HR for example. Good answers also recognised the need for appropriate selection based on experience and the size of the respective organisations. Weaker answers were generic, presenting knowledge but little application to the scenario presented.

### *Part 2*

Again, this next part of the task was answered reasonably well by most candidates. Most answers demonstrated a sound understanding of the role of the Hylandia Competitions Authority in the proposed merger process. Good answers clearly demonstrated an understanding of the reasons why the Competitions Authority may get involved in this merger process by undertaking some calculations on the prospective size of a merged organisation, which demonstrated a good use of the examination material. Good answers also presented a range of methods to manage the relationship with the Competitions Authority.

### *Part 3*

This third part of the task was answered well by most candidates. Most recognised the motivational benefits and good answers also discussed the potential impact of bonuses on staff retention and customer satisfaction. Good answers were also well balanced recognising a range of potential drawbacks of bonuses, such as dysfunctional behaviour. The best answers were those that applied these advantages and disadvantages directly to Royals.

## **Section 3**

Section 3 required candidates to consider the possibility of implementing Big Data analytics by Royals, following the news that the Competitions Authority have blocked the merger with Gymgo.

### *Part 1*

This task was answered reasonably well by candidates. Most candidates presented a range of advantages of Big Data analytics but few applied these directly to Royals. Most of the advantages mentioned by many candidates were generic advantages of big data analytics, but the candidates who scored highest on this section presented a range of examples to demonstrate how these advantages could be achieved by Royals. For example, Big Data analytics could be used to monitor the usage and performance of particular machines in order to optimise floor space for machines with optimum usage and to remove under-performing / low usage machines. Similarly, candidates demonstrated a sound understanding of the potential disadvantages of Big Data analytics but most answers were generic. The candidates who scored highly applied answers directly to Royals.



*Part 2*

This next part of the task was not answered well by most candidates. Many candidates demonstrated a lack of understanding of driving and restraining forces and were in many cases merely repeating the advantages and disadvantages covered in the previous sections of the answer. It was disappointing that most candidates failed to recognise Marco as a key driving force and Royals lack of current expertise in Big Data analytics as a restraining force.

With regard to the implementation team structure, many answers were generic and merely presented lists of the team members required in a standard project team, with little mention of the specific needs of a team needed to implement Big Data analytics. Most candidates recognised the need for an expert in Big Data but few candidates recognised the need for Board leadership and representation in such a strategic level project.

**Variant 3**

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Section 1</b>	Understand the benefits and disadvantages to Royals of listing?	Business skills	F3 B1c – evaluate and compare alternative methods of raising equity finance
	Advise on the impact on the Board arrangements if listing occurred	Technical skills	P3 B3a – evaluate the risks associated with poor governance structures
<b>Section 2</b>	Advise on the steps to follow for a listing	Technical skills	F3 B1c – evaluate and compare alternative methods of raising equity finance
	Communicate effectively to potential investors and the market in general	People skills	E3 A1d – recommend how to build and manage strategic relationships with stakeholders
	Discuss changes to risk reporting	Business skills	P3 A2b – advise the board on its responsibilities for reporting risks to shareholders and other stakeholders
	Explain new performance measures to drive strategy	Leadership skills	E3 D1b – evaluate alternative models of strategic performance measurement in a range of business contexts
<b>Section 3</b>	Evaluate current performance measures	Leadership skills	P3 C1a – evaluate the appropriateness of control systems for the management of an organisation
	Advise actions to communicate to regional managers and improve morale	People skills	E3 A1d - recommend how to build and manage strategic relationships with stakeholders and E3 C1a – evaluate the key impacts of organisational change on organisations

## Comments on performance

### Section 1

#### *Part 1*

The first requirement asked candidates to discuss the advantages and disadvantages of seeking a listing. Candidates were required to focus on the strategic issues for the company itself and, to an extent, consider the stage of the company's development.

Candidates generally wrote extensive answers to this requirement and so most obtained a good mark. Weaker candidates repeated everything that they knew, such as the shareholders enjoying the convenience of having a readily observable share price.

#### *Part 2*

The second requirement asked about the implications of the quotation for the company's board. Given that the company was proposing to go from unquoted to quoted, this required a discussion of points set out in codes of governance. Again, answers were generally extensive and generally raised good marks. There were several areas open for discussion and better candidates tended to focus on the key issues of each.

### Section 2

#### *Part 1*

The first requirement was essentially divided between two matters. Firstly, a description of the steps required in order to obtain a listing and, secondly, a discussion on the importance of effective communication to the listing process.

Candidates generally wrote plenty about the process of seeking a listing. The steps are generally the same for all entities and so there was little need to adapt.

The discussion of stakeholders was far more varied. Better answers considered the interests of those stakeholders who would be directly affected by the listing. Weaker answers simply listed every stakeholder group and discussed their needs. Better answers tended to focus on shareholders and others whose interests would be directly affected by this proposal and restricted the discussion of other stakeholders to matters that might be affected by the listing (e.g. job security for staff).

### *Part 2*

The second requirement dealt with two further topics. Firstly, the management and reporting of risks and, secondly, the need to account to stakeholders on driving strategy. The first topic yielded some reasonably good answers, although it was not entirely clear that many candidates were aware that quoted companies publish detailed risk reports. In preparing for future exams, it would be of value for candidates to read one or two real annual reports to learn how companies organise their governance and risk management and report on those to their shareholders.

Candidates generally struggled with the second topic, saying relatively little on the need to report on the commitment to driving strategy. While candidates should always focus on the requirement, if a question is difficult to approach then it may be helpful to start with ideas such as identifying the stakeholders who would be interested in strategy and why a listing would increase their information needs.

## **Section 3**

### *Part 1*

Candidates were generally able to identify the potential shortcomings of the evaluation system in place and marks were generally high. Better scripts recognised that the regional managers do have some responsibility for the oversight of more junior managers and so the complaints about the evaluation system may have been exaggerated by the regional manager.

### *Part 2*

The next part of the task was answered quite well. Again, candidates generally wrote plenty and scored reasonably good marks. Weaker answers tended to offer brief descriptions of generic responses, such as web pages and meetings. Better candidates reflected the seniority of the regional managers in their answers.

**Variant 4**

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Section 1</b>	Assess impact of Pennies on strategic aims	Technical skills	F3 A1b – evaluate financial objectives of for-profit entities
	Assess proposals to reduce price / marketing spend- pros and cons	Business skills	E3 B1b – recommend strategic options
<b>Section 2</b>	Advise on relationship with the bank - increase formality	Business skills	E3 A2b – evaluate ethical issues and their resolution within a range of organisational contexts
	Explain actions to ensure continue to meet covenants	Technical skills	F3 B1b – evaluate and compare alternative methods of raising long-term debt finance
	Advise on communications programme with staff - utilisation of IT	People skills	P3 B1c – advise managers of the risks in the development of strategies for information systems that support the organisation's strategic requirements
	Marketing team feeling the pressure with new scheme – Assess advantages and disadvantages of bonus scheme	Leadership skills	P3 C2a - – evaluate the essential features of internal control systems for identifying, assessing and managing risks
<b>Section 3</b>	Injury after a fall at Pennies. Decide risks/ controls - prevent similar incident	People skills	P3 A2a – recommend techniques that will enable the board to discharge its responsibilities with respect to managing risks
	Explain advantages / disadvantages of bringing outsourced roles in-house. Suggest appropriate KPIs	Leadership skills	E3 A1d – recommend how to build and manage strategic relationships with stakeholders

## Comments on performance

### Section 1

#### *Part 1*

A good answer would be based on the four strategic aims in the Chairman's report in the pre-seen material. Better answers often used the four strategic aims as headings, which helped to structure the material and keep the focus on the strategic aims. Many of the answers which did not take this approach were very repetitive, and made general comments on strategy rather than comments that specifically related to the case.

#### *Part 2*

A good answer to the second part of the task should look at the pros and cons of both proposals. Better candidates recognised that reducing price would not be sustainable in the long term for Royals. Overall many candidates scored well in this section although the conclusions drawn were not always well supported.

### Section 2

#### *Part 1*

A good answer should recognise that the informal nature of the relationship with the bank in the past is no longer sustainable and make sensible suggestions for a way forward. Better candidates did well in this section, but some candidates did not recommend a more formal relationship and instead focussed on how to build social contact with the new bank manager.

#### *Part 2*

Candidates were next asked how to ensure covenants were met. A good answer in this section would include a discussion of the covenants in place and what practical steps should be taken to ensure compliance with them. This requirement was sometimes only addressed with a line stating that meeting covenants is desirable. Weaker answers were not focussed on the specifics of the company and only made very general comments.

### *Part 3*

A good answer here should give appropriate examples of how IT could be used, and this section was generally well addressed. Many candidates made appropriate suggestions for both general communication and staff training.

## **Section 3**

### *Part 1*

A good answer here should identify risks and illustrate their points using the Pennies incident. Many candidates did well at identifying risks but did not explore them in sufficient depth, many also omitted the discussion of mitigation or produced very scant comments on this. Answers tended to overlook the importance of SLA contracts and contract monitoring, although many did mention SLAs without any further development of this point.

### *Part 2*

A good answer should look at both the pros and cons of in-house provision. Whilst there were some good responses many repeated their material from the first section, stating that an advantage of in-house provision would be the avoidance of the risks they had identified early. Many did not attempt to identify KPIs, or merely listed three KPIs with no justification or explanation.

**Variant 5**

	<b>Designed to test ability to:</b>	<b>Competency being tested:</b>	<b>Syllabus lead learning outcome:</b>
<b>Section 1</b>	Undertake a review of the environmental driver for change in the fitness industry	Business skills	E3 B1a – recommend how to build and manage strategic relationships with stakeholders
	Advise potential benefits and challenges of private / public sector collaboration	Technical skills	F3 A1a – advise on the overall strategic financial and non-financial objectives of different types of entities
<b>Section 2</b>	Explain risks to staff motivation of the programme	Leadership skills	P3 A1c – recommend responses to identified risks
	Consider the impact of VFM concepts on strategic objectives	People skills	F3 A1a – advise on the overall strategic financial and non-financial objectives of different types of entities
<b>Section 3</b>	Advise on ethical considerations	Business skills	P3 A3a – evaluate ethical, social and environmental issues arising from risk management
	Motivate and engage staff during change	Leadership skills	E3 C2a – evaluate tools, techniques and strategies for managing and leading the change process
	Advise on benefits of social media in communication	People skills	E3 E2a – evaluate the impact of IT/IS on an organisation and its strategy
	Advise on controls of social media environment	Technical skills	P3 B1c – advise managers of the risks in the development of strategies for information systems that support the organisation's strategic requirements



## Comments on performance

### Section 1

Overall this section was performed fairly well.

#### *Part 1*

This question requires candidates to consider the key macro environmental factors which impact on the fitness industry, highlighting within this any potentials threats or opportunities to Royals of involvement in this initiative. There were many different approaches which could be taken and credit was given for all of them as long as they applied to the fitness industry and to Royals in particular. Credit was given for a range of environmental factors. It was not answered at all well by some candidates who did not know what macro environmental factors were and discussed general issues within Royals Gyms.

#### *Part 2*

The question requires candidates to consider the potential benefits and challenges for Royals of taking part in a public / private sector collaboration. There were many points which could be discussed in this part and marks were generally high. Many candidates however could have made much better use of the pre-seen material together with the exhibit provided to make more relevant points. Answers which were not applied to the case did not score high marks.

### Section 2

#### *Part 1*

Good answers used the information from the exhibit and the candidates own understanding of motivational issues to consider how the collaboration could impact on staff motivation. The exhibit in the unseen provided plenty of opportunity for discussion and candidates who used this generally scored well. Poorer candidates did not use this information and gave answers which were less relevant.

#### *Part 2*

Good answers should have recognised the key principles of Value For Money (VFM) and correctly applied these to the collaboration partnership. Good answers should also have recognised the similarity of Royals operations to VFM principles. Weaker answers focussed merely on the theoretical aspects of the 3E's; this approach did not achieve good marks as application of the theory was

required. Several weaker candidates did not know about the 3Es which was surprising and several did not see the relevance to the scenario.

### **Section 3**

#### *Part 1*

This question required candidates to consider the ethical issues relating to the series of tweets sent by the gym staff member. Answers should have considered the issue from both the perspective of the gym staff member and from the position of Royals as an employer. Weaker answers focussed mostly on demonstrating knowledge of the ethical principles rather than application and this did not achieve high marks. Credit was given to candidates who demonstrated sound judgement of the ethical issues even if the answer did not specifically mention the ethical code.

#### *Part 2*

This question required candidates to consider how to motivate staff to be more positive towards future initiatives such as this. Good answers should have recognised the need for improvements in staff engagement and better communications in future. This part of the question was answered very well by most candidates.

#### *Part 3*

Good answers to this question should have focussed on the direct benefits of social media as a communication tool for Royals. A description of social media technology was not required. The focus of this answer should have been on how it could be used to benefit Royals as a business. Unfortunately, many candidates simply listed social media and discussed it without saying what benefit it could be to Royals. Others who discussed the benefits more fully scored high marks.

#### *Part 4*

This question asked candidates to consider how to control the social media environment and good answers should have discussed the need for an effective internal control environment. Emphasis should have been on both IT controls and staff controls such as training. This part of the task was not performed as well as other parts as the candidates discussed IT rather than IT internal controls. Training was discussed by most candidates which was good.