



CIMA

Strategic Case Study

Study Text Part I

How to pass the Strategic Case Study

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CIMA Strategic Case Study

Study Text

Chapter 1

The Keys to Passing the Strategic Case Study

1. The Strategic Case Study (SCS)

Introduction

Let's start with a big congratulations! You've passed E3, P3 and F3 - or at least I hope you have or you probably shouldn't be reading this study text!

The goal now is to use that 'technical knowledge' in a 'real life' business scenario to test how well you can apply those skills to a working situation. The Strategic Case Study (SCS) aims is to challenge you to undertake a range of practical business related tasks to prove that you are indeed a capable management accountant worthy of being a member of the institute.

You will be asked to **take on a role of a senior manager** in an organisation and **deal with a series of tasks as if it were a few days in your working life**.

An exam might start with a short report or memo analysing an issue facing the business (e.g. a takeover, new product opportunity, new market or a competitive threat) from a business perspective (E3). This might then be followed up with a second task, which in the mock scenario is a day or two later, perhaps asking you to evaluate the risks in the project as an email (P3), and then end up with a final task, asking you how the project might be financed (F3).

You'll be required to write reports, emails, memos, or produce other 'real life' documents in a professional and business like manner that is highly practical and focused on the needs of the business. **Analysis skills** and **business acumen** are primarily what is being tested here, with technical skills being just a minor part of what it takes to pass.

As you are playing a 'role' within a business, you are expected to know a significant amount about that business and, indeed, the wider industry that it is operating within. So how do you get that information? Well, roughly six weeks prior to the exam you'll be given the **pre-seen** which provides **around 30 sides of information** about the company, its position and its industry. You'll be expected to analyse this in detail, applying all your technical knowledge from throughout your CIMA studies to help you to use this background knowledge to produce the reports, emails or memos you'll be writing in the exam.

This exam is a totally different format from the strategic OT exams and as such the way you prepare also needs to be different too. No longer can you learn theory, practise OTs and expect to pass on exam day! For subjects up to the case study, many students arrive at the exam without ever having practised a full mock assessment to time. You will be extremely unlikely to pass if you attempt to do that this time! In fact, **the majority of your**

preparation time should be spent taking full mock exams to time. It is only through doing this that you will gain feedback on how well your report scores against the marking criteria, learn how effective your analysis is, and most crucially of all, help you master your time management in the exam. Don't be fooled into thinking that time management is just a minor issue - for many students time management is the biggest barrier to them passing this exam. As soon as you practise your first mock, you'll see why!

Expect this to be a **challenging assessment** with a significant focus on practical business skills, providing logical advice and requiring excellent exam technique and approach. With a **pass mark of 60%** you will have to provide excellent advice to pass.

2. What do you have to do to pass?

Passing this exam is not easy! After all this is the final hurdle before you prove yourself as a fully qualified accountant, able to demand higher salaries and move onwards and upwards in your financial career. So, what does it take to pass? There are some key elements that distinguish those people that pass from those that fail, and here they are:

Strong technical skills

Although by now you will have passed your E3, F3 and P3 exams, you can't forget the technical material. You've still got to know it well, as you will be expected to use it in this exam. The key difference is that you will need to use that knowledge in the context of the case study company and the specific new information provided. Application is often the key here rather than simply knowing and being able to state the theory. **The best answers use their theoretical knowledge in combination with wider analysis** and business acumen. With technical skills totalling **25%** of the exam it's a vital element to passing this exam.

As an example, in the pilot paper you were asked to examine the reactions of different stakeholders. You were not specifically told to use Mendelow's stakeholder matrix to do this, but using it would have provided an excellent structure for your answer and gained valuable technical marks.

It's worth bearing in mind that of all the subjects through your E3, F3 and P3 studies there are **some which are far more likely to be tested in a case study exam than others.** In our study text part 2, we will aim to help you revise these more commonly examined models with a focus on how they are likely to be tested in the SCS exam.

Excellent writing and communication skills

Writing skills come to the fore for the case study. This is a written exam, and the skills are very different from the multiple choice exams. You need

to be able to write well, in a style that ensures you fully explain your points in a clear and coherent way.

Over the last 20 years of teaching CIMA we've seen many people with excellent technical knowledge continue to fail their strategic level exams due to a poor writing approach. I had one student who had failed one of the written CIMA exams twice. She knew the material content superbly, yet when she wrote an answer, her solutions were always clear fails. This happens time and time again in written papers, and seems terribly unfair since the individuals concerned usually work very hard. Their problem, though, is that they spend their time focusing on the syllabus content and not their writing technique or approach. They tend to lack application to the scenario and do not fully analyse points well enough to score good marks on a high level strategic paper.

I had another student recently who, despite being told the answer to a question before attempting to answer it, scored less than 20%. Her problem was obviously not the content but, again, the way she answered the question.

Writing style really does make that much difference to marks scored, and it's therefore vital that you master that skill. There are “**set writing style rules**” that you can use to ensure you write effectively to score marks in the exam, and later on in this text we will show you how to do this.

Being able to produce a balanced script

There are 4 learning outcomes for the Strategic Case Study (SCS):

- **Technical**
- **Business**
- **People**
- **Leadership skills**

Each of these criteria represents around 25% of the marks in the exam and as such you need to understand how the marks are awarded for each and how to write your answers in a balanced way. Your answer could be technically perfect, but you'll get no more than 25% in the exam if that's all there is to your script! The same, of course, is true of the rest of the headings too - you could show superb business and leadership skills but not demonstrate any technical knowledge in your answer and so get no marks for that section and be likely to fail.

The way the scripts are marked means that it's actually very hard to get high marks in every section. It's much easier to pass by getting 15 marks for every section than 25 on two and just 5 from the other two. You must, therefore, **understand the learning criteria and produce a balanced**

answer. We will go through these learning criteria to help you understand how to tailor your script **to maximise the marks you are awarded in the exam.**

Have an in-depth knowledge of the pre-seen

Imagine you were being asked to write a report to the board of directors at your workplace; you'd be expected to comment on the logic and practicality to your organisation using all your experience of the company in doing so. In the exam you play the role of a member of staff, most likely a senior manager, and your analysis is expected to be as insightful about that company as it would be about your own organisation.

Whether your recommendations are logical will largely depend on how well you've understood the pre-seen and how well you can apply what you are asked to do to both the new unseen information in the exam and the background information you have.

You will need to do a full strategic analysis of the pre-seen prior to the exam where you apply all the main theories from your E3, P3 and F3 studies to that company. You will need a good industry understanding too so that your advice is logical given the issues in that industry, although the aim is that you will be given most of the industry information you need in the pre-seen rather than you needing to do significant amounts of new research. That will then put you in an excellent position to tackle the models that come up in your exam.

Be able to clearly identify the requirements

In the strategic case study, one key skill being tested is that you can clearly identify what you are being asked to do out of a long piece of information provided, in an email from your boss for instance. You are not given a specific requirement in a line or two like you are in the OT exams, and indeed **the requirement is less clear in this case study than those of earlier levels.** You need to take the information given to you and work out from that what it is that your boss would like you to do, or indeed what you feel would be useful to include in your analysis. This is supposed to replicate real life. Your boss won't say to you 'Discuss X, Y or Z' in specific language or use the formal CIMA verbs such as 'discuss', 'explain' or 'evaluate'. Instead they will write an email or memo with a general overview of what they are looking for from from which you must work out what you are going to provide for them.

Each work request from your manager will potentially contain 2 or 3 requirements hidden away in the text, and so you must find them all. Get this wrong and you will find yourself with no marks on the sections you miss. That could be catastrophic in the exam. In our section on **identifying requirements** will will show you how to do this so that you can then work your way through your practise exams in a way that puts that into practise.

Be able to produce a complete script

Most people taking their first SCS mock exam, do not manage to complete it. A lot is expected of you in a limited amount of time so that virtually everyone finds finishing a full script to a high quality really tough.

The problem is that an uncompleted script is likely to also mean a failed exam! The reason why, relates back to the way the SCS is marked. **It's hard to score highly on any one section. Scoring about 70%-75% is about as good as it gets given the marking approach used.**

Let's imagine there are 2 sub-sections in the first part of the exam, each worth 10 marks each, and you do very well on the first section scoring 70% earning 7 marks. Then you start the second sub-section but then run out of time perhaps only getting half way through. What you do is very good (70% standard), but as you're only half way through you get just 4 marks in total. You've now earned 11 marks in total out of 20, a score of 55% and a decisive fail!

The problem with the SCS is that once your time for a particular section is over - that's it - there's no going back. You've simply got to move on and the computer system won't even let you back into that section if you find yourself with time spare at the end of the exam. You've just failed that section then. Do that for the remainder of the exam and you will have a failed the whole exam, not because what you did was not good, but because you did not complete every part of every section.

I hope now you see why completing every sub-section is vital to you passing overall, and why it's those people that work quickly and manage their time well that will pass.

Be an excellent planner

Once you've identified the requirements, you need to make sure your answer deals with them directly, applies knowledge from the pre-seen and the new information given on exam day, uses relevant theory appropriately and does all this while meeting the 4 key elements of technical, business, people and leadership. **To do that well means knowing how to plan effectively and this is a skill you must fully master.**

We use a **specific step by step approach to planning**, which helps ensure all these key elements are included in your answer and will show you how to use this in our chapter on exam planning.

Be a master of time management

This is a highly time-pressured exam. You will have a small number of sections in the exam, most likely 3 of around an hour each. For each section you have to:

- (1) Read the new information
- (2) Identify the requirements
- (3) Do your plan
- (4) Write a high quality answer
- (5) Complete all sub-sections in full.

With a range of new information coming up in each section such as 'news reports' and 'financial analysis' that you have to read and analyse, doing that and producing excellent reports in the time is really tough. It's vital then that you use your time effectively.

Some people say the time management element of the exam is too tough and that it shouldn't be as hard as it is, but the fact is that the real world is also about planning, time management and hitting deadlines, and that those people that can do that in the exam are also demonstrating their ability to be a valuable member of the team in the real world. We will show you how to be an effective manager of your time in our time management chapter.

Practise, practise, practise!

This is a tough exam - the time management is so difficult, the format is so different, the marking approach so unique, and the pass mark so tough, that only with the feedback of a few failed or marginally passed attempts, that people able to truly understand how to do well.

It is therefore **imperative that you sit a range of mock exams** based on your pre-seen scenario prior to taking the real exam and you do so **under timed exam conditions**. As a minimum, we would suggest five full mock exams. This is difficult to do as the time available between receiving the pre-seen, and taking the exam is so short. However, to pass this exam, it is something you must schedule in and work towards.

You must critically review all your own mocks yourself, although ideally you would also receive feedback on mocks from an experienced marker so you can learn how well you are applying the key techniques required to pass and so you know what you need to work on and improve.

3. Lessons from the examiner's Post Exam Guidance

At the end of each exam the examination team produce Post Exam Guidance (PEG). This provides an analysis of the exam, and guidance on what candidates did well, and more commonly, on what they did less well! Over a number of sittings a range of common problems are highlighted in these PEGs.

If we look back at final level case study exams over recent years, including the case study exam in its previous incarnation as the T4 case study, we see a range of problems that keep repeating themselves. By understanding these and ensuring that you do not repeat the same errors that many other students have made in the past, you can improve your chances of passing the exam. With this in mind, here is a list of **quotes from the examiners** on key problems often highlighted in these PEGs that we think are relevant to you in this exam.

“Candidates often have not related their answer to the new material and the requirement set but have simply written out their pre-prepared answer”

The key here is to ensure that your answer takes into account all the new information given on the day of the exam, and that you answer the question asked and do not simply regurgitate a pre-learned answer.

While preparation of the pre-seen is vital, application to the new material given on exam day is even more important. You must meet the needs as specified by your boss and use the new information provided in doing so or you will score badly.

Many students have “not prepared clear and well-reasoned recommendations”

Logic is key to passing the exam. Strong analysis must be undertaken that makes sense given your knowledge of the pre-seen and the new information presented on exam day. Your analysis must be balanced, with a number of possible ideas presented and examined, and a good logical recommendation made based on which of those ideas you feel is the best for the business going forward. This exam is highly practical in nature; answers that provide solutions that would not work on the real world will score poorly.

“Some candidates stated that they are unable to make recommendations without further material.”

You must make clear recommendations, even if you state that these are subject to satisfying the Board on whatever outstanding matters more information is wanted. **Be bold and decisive**. That is what the examiner is looking for!

“Many students had not demonstrated use of technical knowledge or applied it to the company”

The long and short of it is that you need to know the theory from your E3, P3 and F3 studies. However, you have demonstrated good theoretical knowledge in your OT exams already so that is an excellent starting point.

However the focus is different. There are no calculations this time. The focus is on use of the theory and practicality in the real world. Knowing theory is not enough! That theory must be applied to the company, firstly in the pre-seen and then to the new information given in the exam. This is the extra step that you will never have had to tackle in the OT exams, and is something you must now master for the case study.

There are also a range of theories which relate more closely to being examined in a case study exam. In our study text part 2 we will guide you in the direction of the most important ones and also outline how you should use them in the SCS.

“Often people had laid out the report poorly”

Part of this exam is good communication; that means knowing your report/email/memo formats well and using them in the exam. In addition communicating simply and clearly to the relevant person is key. If it's a qualified accountant you are writing to you will be able to assume a different level of financial knowledge than that of the board where many people will not know all the terms you've learnt in your studies. You may know what interest rate parity theory is (I hope!) but will the HR director? Probably not! Clear, focused communication is key.

“Some scripts had not explained or commented upon calculations”

You will not be required to undertake significant new calculations in the exam itself. However you WILL be expected to undertake a financial evaluation of the company's position using the financial information in the pre-seen, and you may be given new financial information in the exam itself. If you are, you must consider the meaning of that new information and draw your own relevant conclusions.

So, for example, you might be given the results of a Net Present Value (NPV) evaluation on a new project which you will be expected to comment upon. Let's say it had a positive NPV, you might conclude that from a purely financial perspective it should be undertaken. However, you would then be required to examine the related issues; the relevance of the cost of capital figure used, the uncertainties there might be given the projections used in the calculation, the riskiness of the project and the relevance of it to the business and the strategy. A simple, “positive NPV means we should do it!” conclusion will not be enough for a pass.

So, no new calculations will be tested, but you will need in-depth understanding of how to interpret results of calculations, the problems or issues with the models, and how to make use of the results to draw relevant conclusions. Our sections of this text covering the key theories relevant to the SCS will use focus this as our approach to calculations to ensure you are ready to deal with the style of questions relevant to this exam.

“Many people had not provided and evaluated a range of solutions to each issue”

As part of CIMA's guide to the strategic case study they set out your 'role' as a senior manager advising the board of directors. They note that your role means “analysing strategic options - the various courses of action the business can take”. Before you make any recommendations you must avoid just discussing one possible option, but must instead consider a variety of alternatives aiming to evaluate each in an objective manner before making your conclusions.

It can be very easy to 'decide' what you think is the best option and just argue the case for that idea. That is NOT good practise, and is NOT what CIMA are encouraging you to do. They want independent, objective analysis of all options followed up by logical conclusions. That's what you should do in real life, and so it's what you should do here too!

“They had not stated why they considered an issue to have an ethical side to it, and clearly explained what that ethical issue was.”

Good ethics is critical to CIMA. Their members must act ethically or their reputation as a professional body will fall and ultimately the value of the qualification will be degraded too. It's vital to CIMA then that you can prove you are fully aware of what is and is not good ethical behaviour and as a result ethics becomes a major part of this final test before admission. They want to make sure that you consider the ethical and social responsibility elements to all the issues you are evaluating. A recommendation made which misses key ethical elements will be one which does not score highly. Look for the ethical side and clearly explain that as part of your discussion.

“A significant proportion of people had not finished the exam (most likely due to poor time management).”

A partially completed exam tends to be an exam that will not pass. Marks are hard to get and you have to score 60% in total. That means identifying every requirement and fully answering each one. Your goal should be to do reasonably well on every section rather than to do really well on one at the expense of another - the marking approach is simply not set up to reward that later approach.

Time management is key to completing a script, and you must master that element of this exam if you are going to pass. Our chapter on time management will support you to do this.

Exercise - review the latest PEGs

It's vital that you keep up to date on the latest issues that the examiners raise on the exam. The PEGs provide the examiner's viewpoint and that often changes over time as new issues arise and as they develop their thinking. You should therefore spend an hour or two reviewing PEGs,

available on the CIMA website to improve your awareness of the common problems which have arisen recently. There's nothing quite like hearing what the examiner thinks are the key learning points for actually driving those points home!

4. Work hard and you will pass!

To sum up then, to pass this exam you must:

- Have strong technical skills, knowing and being able to use all relevant theory.
- Have an excellent writing style.
- Be able to produce a balanced script.
- Have excellent pre-seen knowledge, having applied all the key theoretical models to the pre-seen to be prepared for the exam.
- Be able to identify the requirements accurately from the range of information given to you.
- Be able to produce a complete your answer in full.
- Be an effective planner.
- Work quickly and master time management.
- Practise, Practise, Practise.....

It's going to be a tough exam for you to pass, and with a 60% pass mark there's going to be no option but to **work really hard** if you are going to ensure you get through this time.

I've seen many superb students not get through due to a lack of study, and conversely some very average students excel because they put in the hard graft needed to get through. We've run a 'pass guarantee' scheme for our course students for a number of years now. If they complete the full course and fail there is no charge for the next sitting, and if they continue to complete the full course they continue to get the next sitting for no charge.

Of the thousands of students we've had on the course it's very rare for people to go through that pass guarantee scheme more than once. While we'd love to think our course was so good that was the exclusive reason for this, actually, the main reason is that to complete the course is tough and you have to work really hard to do so. The long and short of it is that most people who work that hard do tend to pass, most of them first time around.

With the rewards of becoming a fully qualified accountant, with the higher salary and prestige that goes with it - **now is the time to fully commit to your studies** and work hard to ensure you pass.

As great boxing heavyweight champion Muhammad Ali once said “I hated every minute of training, but I said, 'Don't quit. Suffer now and live the rest of your life as a champion.' ”

While I hope you'll enjoy your 'training' a little more than Muhammad Ali did, as most people find SCS is the most interesting exam of all the CIMA exams, there will be times when your enthusiasm wanes and your energy drops. Keep going though, work hard, master the skills outlined in this text book and you will get over this final hurdle, become a qualified accountant and finally free up your time to get on with the rest of your life.