Strategic level case study – Examiner's report

May & August 2022 exam session

The purpose of this document is to give some feedback on the May 2022 Strategic Case Study (SCS). It also aims to provide some useful advice for candidates preparing to re-sit this exam in August 2022. The August 2022 case study will be based on the same pre-seen as May 2022, although none of the unseen information introduced in the May 2022 variants will be relevant to that diet.

The full set of post-exam materials (applying to both May and August 2022) including the full examiner's report, along with model answers, variants and marking schemes will be available 2 weeks after the August 2022 exam results are released.

General comments

This case study was based on a pre-seen scenario that described Snakwheel, a business that facilitates fast-food deliveries for fast-food companies.

The pre-seen document was made available in advance, describing the fast-food industry and the role that companies such as Snakwheel play in it in terms of offering the convenience of home deliveries to consumers. Further information on the scenario was provided in each variant. The variants comprised three tasks, each of which was split into two requirements.

Candidates were expected to reflect information provided about the industry and Snakwheel in their answers. It was encouraging to see that many did so, suggesting that candidates had studied the pre-seen and had thought about the issues raised within it.

The following points are based on feedback from the marking team:

A. **Develop business strategy**	**This core activity represents between 15% and 25% of the marks available in the SCS blueprint.** This core activity frequently presents candidates with a strategic opportunity that has arisen or a strategic problem that must be resolved. Such issues usually require an understanding of the business and its current position, and so an understanding of the content of the pre-seen is important. Some models can provide a structure for the analysis of a potential strategic change, but it is important to recognise that such models are intended to support recommendations, based on an understanding of the direction that a potential change would involve. Level 3 answers generally comprised sensible and realistic recommendations that were supported with logical and consistent justifications. Candidates at this level recognised that Snakwheel's Board would expect the reasoning behind any recommendation to be explained to them to help them decide on the validity of the advice they were receiving. There may not necessarily be a single correct response to a particular issue, but it is important that any action that is taken can be justified based on the information that was available at the time. Level 1 answers frequently avoided the question by summarising information provided about Snakwheel in the pre-seen and the scenario described in the unseen. Such responses seemed to be designed to avoid committing to a recommendation that might be regarded as unsatisfactory. Candidates should not be afraid to offer recommendations that could be rejected by a superior who prefers an alternative course of action. Recommendations are marked on their suitability in the context of the scenario and the extent to which they are justified. In principle, a wide range of recommendations could meet those criteria.
B. **Evaluate business ecosystem and business environment**	**This core activity represents between 15% and 25% of the marks available in the SCS blueprint.** This core activity reflects the need to evaluate strategic changes in the context of the environment in which the entity operates. Furthermore, strategic challenges can arise because the entity's environment is changing, necessitating a response. Those challenges can be classified and analysed in terms of various models that have been developed to assist managers in their understanding of the entity's business environment.

	Level 3 answers generally reflected Snakwheel's business and the circumstances created by the scenario. In a real-world context, candidates would be expected to tailor responses to the entity and the situation in which it finds itself. Level 3 answers generally reflected the environment realistically. Level 1 answers were often descriptive and consisted of restating the problem as described in the task. Alternatively, answers at this level described the models and other content from study materials but did not offer an adequate application to the scenario. It is unlikely that Board members would be impressed by such a response from a senior manager in a real-world setting.
C. **Recommend financing strategies**	**This core activity represents between 15% and 25% of the marks available in the SCS blueprint.** This core activity is largely based on the finance theory, which is largely concerned with the maximisation of shareholder wealth. This is a complex area, with many theoretical models that can be used to anticipate and explain the behaviour of the capital markets. The assumption that the Board's main duty is to maximise shareholder wealth can often underpin the justification for a particular decision in which optimisation is an issue. Level 3 answers generally applied the relevant finance theories to the specifics of the scenario. Candidates recognised that decisions relating to funding, for example, might require some thought about the specifics of Snakwheel's present financial position and the impact that any change resulting from their recommendation might have. It is unlikely that such outcomes can be predicted with certainty, but it is generally sufficient to be able to offer a realistic assumption that can be justified. Level 1 answers tended to summarise the models described in study materials. This is a recurring feature of level 1 answers, but it is a particular problem that is associated with this core activity. Furthermore, the theoretical models are often misstated and introduced to situations in which they are not particularly relevant. For example, it is unlikely that a Board would be satisfied with a recommendation that the Modigliani and Miller theories make a funding or dividend decision irrelevant.
D. **Evaluate and mitigate risk**	**This core activity represents between 15% and 25% of the marks available in the SCS blueprint.** This core activity reflects the fact that understanding and managing risk is regarded as a significant element of strategic management. Risk features heavily in most management decisions. The extent to which risks were adequately identified and mitigated is also a key element of the evaluation of Board behaviour. All entities face

	strategic risks, but the nature and severity of those risks vary according to circumstances. Understanding risk is largely a matter of understanding the entity. Level 3 answers demonstrated an understanding of Snakwheel's business and the situation described in the unseen material. Snakwheel's revenues are governed by several factors that are not entirely within its control. Candidates scoring level 3 marks generally demonstrated an understanding of the risks faced by the entity and, where appropriate, recommended proportionate responses. Level 1 answers often approached risk management in a mechanical manner, citing models such as TARA without offering sufficient development of their arguments to reassure Snakwheel's Board that their need for informed and satisfactory responses had been met.
E. **Recommend and maintain a sound control environment**	**This core activity represents between 15% and 25% of the marks available in the SCS blueprint.** This core activity reflects the fact that the Board's attitude toward controls and the management of risks plays a significant part in setting a tone for managers and supervisors at all levels throughout the entity. Establishing a suitable control environment is a significant part of the Board's responsibility. Level 3 answers reflected the need for control in an entity such as Snakwheel, which faces significant risks, including a heavy dependence on IT systems that must be properly controlled to protect revenues and also the actions of the delivery staff, who are not under the direct supervision of managers. Candidates at this level recognised the governance implications arising from the need for the Board to take an active interest in risk management and the associated internal controls. Level 1 answers tended to apply the content of study materials mechanically, with insufficient attention being paid to the scenario and the evaluation of the risks that the Board finds itself required to address. Candidates should be prepared to express a specific recommendation, bearing in mind that they are usually expected to offer some justification or explanation.

The following hints and tips should be considered if you plan to sit the SCS in August 2022:

Before the exam:

1. It is important to understand the subject matter in the syllabus. It is necessary to read and re-read study materials. Make sure that you understand the materials and how the ideas that they contain might be applied in practice. Recalling content might be helpful, but it is vital that you can take it one step further and apply it to solving problems.

2. Read and re-read the pre-seen carefully. It will be available to you throughout the exam and so you can refer to it as and when you require it, but it will save time if you can remember the broad issues raised. Tasks set in the SCS will not require detailed recall of the pre-seen, but it can be helpful to refer to particular facts about Snakwheel in your answers in support of your arguments.

3. Make sure that you can write credible answers to case study exams. There is no substitute for attempting past papers and preparing detailed answers. The more papers you attempt, the better you will become at interpreting and answering questions. You can review your answers by asking yourself whether you would feel comfortable submitting your response to an issue to a director or senior manager.

During the exam:

1. Allocate your time effectively. Make use of the fact that the elements of each task have a percentage that enables you to reflect the number of available marks. If a requirement is worth 40%, then you should spend 40% x 60 = 24 minutes on it before moving on.

2. Answer the question. That might seem obvious, but feedback from markers always highlights that as a problem for many candidates. In the SCS, the questions generally ask for responses that relate to the entity under consideration. If a question asks about a problem facing Snakwheel, then it will be necessary to reflect the information at your disposal from the pre-seen and the unseen material in the question your answer. It is unlikely that you could pass the exam without properly revising the syllabus material, but you must apply that to the specific case.

3. If you are asked for a recommendation, then give one and justify it. You would expect to be challenged in the real world if your advice consisted of every possible response, with no indication of which was the preferred solution. Your recommendation may differ from the examiners, but you will still gain credit for the quality of your justification.

4. Take care over the inclusion of real-world examples. Fast food delivery companies exist, offering similar services to those described in relation to Snakwheel. You may have read the business press, and you may have collected some useful information about this type of business. If you offer an example based on that background reading, then it will be awarded credit if it is relevant to the requirement and so supports your answer. Unfortunately, candidates often include irrelevant examples, which earns no credit and so wastes time that could have been better spent on developing the answer.