

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

General comments

This examination was based on a pre-seen scenario which described Vita, a company which designs and sells wireless-enabled wearable fitness and activity tracker devices that measure a wide range of personal metrics related to fitness and activity. The scenario was made available in advance of the exam and a number of variant papers were set, each offering additional scenario-based information and each setting three sections to be completed. Each section was split into two or more specific elements.

This is a very interesting industry which most candidates would understand. 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.

Candidate performance

Overall, candidates performed reasonably well on some aspects of all the variants. However, there were a number of areas of concern relating to student performance in several other areas, which applies to all variants. The main weaknesses were that in several tasks, candidates failed to apply their knowledge directly to the scenario information and in some parts candidates just failed to answer what had been asked. In many cases candidates quoted and described models but did not apply them to the case study, this approach does not gain marks. All answers must be applied to the case study and should bring in aspects of the pre-seen information as well as the information and exhibits in the unseen material. Answers which are purely rote learning were quite common in some requirements and this approach is awarded very few marks. Many candidate answers lacked depth of development and therefore, although demonstrating a basic understanding and application of knowledge, failed to accumulate sufficient marks due to insufficient development of answers.

Candidates are reminded to carefully read each task requirement and only answer what has been asked. In addition, candidates are also reminded that theoretical answers are awarded very few marks.

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 tasks they are given.



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

Candidates must read the questions very carefully and answer what has been asked. Answers which are not applied to the case will not score high marks.

A good level of knowledge of the three strategic syllabi is necessary in order to do well in the exams, it is not enough to have knowledge of topics; 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

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluate the competing views and needs of different stakeholders and how that can shape strategic direction	Business skill	E3 A1d – recommend how to build and manage strategic relationships with stakeholders (including suppliers, customers, owners, government and the wider society)
	Consider the downside risks of prioritising shareholder wealth at the expense of another stakeholder to drive performance	Leadership skill	P3 A1a – identify the types of risk facing an organisation
Task 2	Evaluate the opportunity to acquire part of a key supplier	Technical skill	F3 C1a – evaluate the financial and strategic implications of proposals for an acquisition, merger or divestment, including taxation implications
	Advise whether Vita should try to influence and change the culture of acquired organisation if they proceed	People skill	E3 C2a – evaluate tools, techniques, and strategies for managing and leading the change process
Task 3	Evaluate risk management of switching supplier	Leadership skill	P3 A1c – recommend responses to identified risks
	Advise on whether to advise supplier to implement lean systems	Business skill	P3 B2a – evaluate the risks of unethical behaviour
	Advise on communication of inventory shortage to customers	People skill	E3 A1d – recommend how to build and manage strategic relationships with stakeholders (including suppliers, customers, owners, government and the wider society)
	Evaluate debt versus equity to raise funds	Technical skill	F3 B1b – evaluate and compare alternative methods of raising long-term debt finance

Comments on performance

Section 1

Requirement 1

This task required candidates to consider how the competing views of stakeholders can influence strategy. Good answers should have covered the common problem organisations have with balancing different and often competing stakeholder demands. The answer could then look at the specifics of this potential conflict, describing how the demands of shareholders, customers and suppliers can change the course of an organisation's strategy depending on which stakeholder is of the highest priority. Many answers were quite generic and just discussed stakeholders and strategy with few candidates really discussing the case. Most candidates achieved an average score but there were very few good answers.

Requirement 2

This task required candidates to consider the potential downside risk of prioritising short-term shareholder wealth over the welfare of all other stakeholders. Candidates should have recognised that it is common for organisations to chase short term profit to keep shareholders happy. Candidates should have progressed to discuss that this activity could be detrimental in the long term. Organisations which treat stakeholders, other than shareholders, badly may gain some quick wins and short-term profit improvements but may struggle in the long term as they have not invested time and effort to build the robust business partnerships that will support good performance in the long term. This task was performed badly by many candidates. Few candidates discussed the issues in any depth so most answers were very superficial. It was also disappointing that many candidates thought it was a good idea to chase short term profits and the directors should not be concerned with the longer term view. Many candidates scored a low mark for this requirement.

Section 2

Requirement 1

This task required candidates to assess the financial health of HJM given the information provided. This task was done surprisingly badly by many candidates. Very few candidates discussed the problems of staff being unhappy or the increase in health and safety incidents. Candidates were not required to in any way assess what Vita should be paying for a stake in HJM. They should be looking

at the figures given and the movements in the data over time to assess HJM as a business. Many candidates simply wrote comments such as the profit ratio has increased which is good. Clearly at strategic level more was expected from candidates.

Requirement 2

This task required candidates to assess whether Vita should try to change the culture at HJM if it does invest in the business. There is no right or wrong answer to this question, and the best answers would undertake a balanced review of what would be positive about changing the culture and what could go wrong if Vita try to change the culture. A good clear discussion on whether the culture should be changed was required. Many candidates just gave very theoretical answers on culture and did not try and apply their knowledge to the case study which was disappointing.

Section 3

Requirement 1

This task required candidates to outline some risk mitigation techniques Vita could have used to have better managed the process of engaging new supplier, Studio. Good answers would suggest several steps Vita could have taken to reduce the risk of the problems that have occurred. This question was done reasonably well by many candidates. Most managed to think of steps Vita could use to ensure the suppliers would deliver on time and deliver quality.

Requirement 2

This task required candidates to assess whether it was appropriate to help Studio improve their systems in the ways suggested. Good answers would recognise that, although it would be beneficial for Vita to help Studio to operate well and use efficient approaches, it would be totally unacceptable to share confidential information about their suppliers and this must not be done. Many candidates could only discuss that it would be a breach of confidentiality to help, others only discussed the benefits of helping. There were few good answers to this requirement as many candidates only discussed half of the issues.

Requirement 3

This task required candidates to outline how they would communicate with customers about the stock-out and product fault issues that had arisen with Studio. The candidates should recognise that this is not a large-scale problem in the context of their global operations and hence Vita simply needed to offer good communication to customers about the current situation, incentivise them to

still buy Vita products and be able to return any faulty problems quickly and easily. This was answered very badly with few very good answers. Again many candidates just said how important communication was and did not really get into the question asked which was how they should communicate.

Requirement 4

This task requires candidates to assess whether Vita should consider debt or equity at this point. As Vita has performed strongly over time candidates should recognise that both options are available to Vita and briefly outline the pros and cons of each. Candidates may reasonably recommend either debt or equity if they justify their choice. This question was done well by many candidates who discussed the benefits and drawbacks of both options.

Variant 2

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluation the strategic proposal to acquire a smartwatch manufacturer	Business skill	E3 B1b – recommend strategic options
	Identify the upside and downside risks of acquiring a smartwatch manufacturer	Technical skill	P3 A1a – identify the types of risk facing an organisation
Task 2	Identify takeover bid defences	People skill	F3 C3a – evaluate alternative pricing structures and bid process including taxation implications
	Discuss the role of Vita’s leadership team in successful acquisition	Leadership skill	E3 C1b – evaluate the role of leadership in managing the change process and building and managing effective teams
Task 3	Evaluate stakeholder management activities pre acquisition	People skill	E3 A1d – recommend how to build and manage strategic relationships with stakeholders (including suppliers, customers, owners, government and the wider society)
	Determine impact of acquisition on Integrated Report	Technical skill	F3 A1c – advise on the use of sustainability and integrated reporting to inform stakeholders of relevant information concerning the interaction of a business with society and the natural environment
	Evaluate internal control weaknesses	Business skill	P3 C2a – evaluate the essential features of internal control systems for identifying, assessing and managing risks
	Recommend responses to the internal control weaknesses	Leadership skill	P3 A1c – recommend responses to identified risks

Comments on performance

Section 1

Requirement 1

In the first task candidates were asked to assess the factors which should be considered when evaluating whether the acquisition of G-Run, a relatively new business making fitness-based smartwatches, is a viable strategy for Vita.

Some candidates applied the Johnson and Scholes suitability, acceptability and feasibility strategy model here, which helped to structure and focus their response. Weaker responses often consisted of a list of all the factors which could be considered, without any evaluation or assessment. A good answer would consider the current position of both business and their position in the market place as well as the growth of the smartwatch market.

Requirement 2

The second part of this section asked candidates to evaluate the potential risks to Vita which could arise if the acquisition of Go-Run was to go ahead. Again, weaker responses tended to overlook the requirement to evaluate the risks and instead provided a list of all possible risks without any prioritisation or analysis. A good answer would consist of a more detailed evaluation of a few selected key risks, such as the risk that integrating the two businesses could prove difficult, and that if the bid is seen as hostile there could be reputational damage for Vita.

Section 2

Requirement 1

This section began by asking candidates what defences Go-Run's senior managers would be likely to make to try to prevent Vita from acquiring the business, and what Vita could do to counter these defences.

Some candidates provided a good range of alternative defences Go-Run could adopt, and better answers applied these well to the scenario. Weaker answers did not provide any application, just a textbook explanation of bid defences. Some candidates either lacked technical knowledge in this subject area or misinterpreted the requirement and discussed the reasons why the management of Go-Run might object to the bid, which is not the same as bid defences. Whilst some candidates discussed each bid defence in

some detail, including an exploration of counter defences, in general exploration of counter defences was very limited. Good answers identified the bid defences which would be more likely to be used in this situation and explained how each could be countered.

Requirement 2

The second requirement referred to the need to demonstrate that Vita is a change-adept organisation. Candidates were asked what leadership skills Vita already possessed which would demonstrate this, and what skills they needed to acquire or improve upon. This section was often very poorly attempted. Some candidates ignored the “change-adept” reference and talked generally about leadership skills. Others discussed what actions Vita should take to be change adept but did not explore the skills required. Some candidates stated that Vita was a change adept organisation but did not justify this assertion or make reference to leadership skills. Very few candidates identified and explained the skills which Vita needed to acquire or improve upon.

Section 3

Requirement 1

This section began by asking what activities Vita should undertake to manage the most powerful stakeholders during the acquisition process to maximise their support and agreement. Shareholders and others as key stakeholders were well identified by candidates and their role within the acquisition process was often well described with valid suggestions of ways to communicate. Better answers focussed on a small number of key stakeholders and discussed them in some depth. Many candidates made good use of the Mendelow matrix. Weaker answers identified several stakeholders but did not differentiate the most powerful ones or discuss them in the context of the case study scenario.

Requirement 2

Secondly candidates were asked how the acquisition should be reported in the next annual integrated report. It would have been appropriate to explain the purpose of the integrated report and discuss the need to present an overview of the rationale for the acquisition in the Management Commentary, to consider including it within the value creation model and to re-assess the risk register. This requirement was often poorly addressed, with many candidates not appearing to understand the purpose or content of the integrated report. Answers often lacked a focus response to reporting the acquisition. Many candidates did correctly identify the need to consider the impact on the risk register.

Requirement 3

The third requirement in this section was to discuss what could be deduced about the control environment within Go-Run, based on the information provided. Many answers did not go beyond saying that control must be weak, with little reasoning behind this assertion. A good answer would have questioned why the board of Go-Run were happy to leave risk assessment and control activities to Marat, and have pointed out that this lack of interest in the event despite evidence of risks from previous years, indicates that the “tone at the top” of the organisation was weak. Candidates could have pointed out that Go-Run should have undertaken its own risk assessment and played a greater role in organisation and management of the event.

Requirement 4

Finally, candidates were asked what actions could be taken to mitigate the risks, should Vita acquire Go-Run and decide to sponsor the event in future. Although there were plenty of practical suggestions which could be made, such as assigning a risk manager, vetting competitors and checking that suitable medical facilities are provided, many candidates provided scant responses, and some were very focussed on the role that internal audit could play in the process. Good answers would have pointed out the responsibility Vita would have to monitor the event while it was in progress, and to have their own team of staff to assist competitors and Marat. It would also have been appropriate to point out the reputational damage which could arise if the risks are not effectively mitigated.

Variant 3

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluate two strategic options	Business skill	E3 B1a – evaluate the processes of strategic analysis and strategic options generation
	Evaluate potential sources of finance	Technical skill	F3 B1b – evaluate and compare alternative methods of raising long-term debt finance
Task 2	Recommend whether Vita’s business relationship should be structured as a joint venture or strategic alliance structure	People skill	E3 A1d – recommend how to build and manage strategic relationships with stakeholders (including suppliers, customers, owners, government and the wider society)
	Recommend how Vita should manage the risks arising from the new partnership	Leadership skill	P3 A1b – evaluate the organisation’s ability to bear identified risks
Task 3	Advise whether Vita should encourage a business partner to consider the cost of quality	Leadership skill	P3 C1a – evaluate the appropriateness of control systems for the management of an organisation
	Recommend whether Vita should offer to compensate customers	Business skill	E3 A1d – recommend how to build and manage strategic relationships with stakeholders (including suppliers, customers, owners, government and the wider society)
	Advise how to use good communication as a tool to manage risk	People skill	P3 A3a – evaluate ethical, social and environmental issues arising from risk management
	Advise whether the entity’s share price will remove because of a newspaper article	Technical skill	F3 C2a – calculate the value of a whole entity (quoted or unquoted), a subsidiary entity or division using a range of methods including taxation

Comments on performance

Section 1

Requirement 1

The first requirement dealt with the choice between two potential products, a smartwatch or a medical monitor. Candidates were asked to evaluate each of the options. The devices had slightly different technological requirements and would be aimed at different markets, so the evaluations were likely to offer very different conclusions. The question did not seek a final decision regarding which product to promote, although it was stated that they were mutually exclusive. Many candidates did argue in favour of a preferred product, and marks were awarded to the extent that the selection was justified in a manner that was consistent with the requirement.

Better candidates tended to address the similarities and differences between each of the two products from the company's present range of products. They also took in a number of practical considerations such as time to market, potential competitive advantage and similar issues.

Overall, answers to this question were relatively good, with candidates offering some justification for their arguments for or against each of the two products.

Requirement 2

The second requirement indicated that the launch of either product would require additional finance of N\$250 million and asked how such finance should be raised. Most candidates focussed on the choice between debt and equity. Answers were generally under-developed, with many amounting to little more than descriptions of the respective features of debt and equity.

Better candidates linked their arguments to the scenario. One common response was to calculate the gearing ratio and point out the implications of the choice between debt and equity for financial risk. Very few candidates considered the nature of the investment in R&D, with the associated implications of the timing and risk of future inflows from the project. For example, debt would require a firm commitment to servicing the debt, which would apply even if the development took longer than expected or even if it failed.

Section 2

Requirement 1

The first requirement dealt with the decision as to whether a collaboration with a third party should be constituted as a joint venture or as a strategic alliance. The terms of the potential joint venture were set out in the exhibit attached to the question.

Most candidates successfully identified the advantages and disadvantages to the entity of the joint venture proposal. Most candidates drew very heavily on the exhibit and added some evaluation of the implications of the points listed. This was generally successful because it answered the requirement.

Answers were generally weaker on the evaluation of a possible strategic alliance, with many candidates leaving the impression that they had little real understanding of what a strategic alliance was and how it might differ from a joint venture. Stronger candidates used their common sense to consider how a strategic alliance might be created and what it might entail in terms of commitments by either party.

Requirement 2

The second requirement asked how the risks arising from the venture might be managed. Many candidates focussed on addressing the concerns that they had voiced relative to the proposed joint venture that had been analysed in the first requirement. This approach was credible, although care had to be taken to avoid repetition of points already made (which would have been irrelevant in any case). Stronger candidates who adopted this approach proposed ways in which the risks from the relationship with the University might be mitigated.

Very few candidates picked up on the opportunities created by the broader requirement to outline activities and processes that might be followed.

Section 3

Requirement 1

The first requirement asked whether the entity should educate staff at the University with which it has a business arrangement in the costs of quality. Candidates were expected to pick up on the fact that the University had insisted on rushing the product to market, without adequate testing. Most candidates made that link and offered a clear discussion of the problems arising from a lack of interest in quality.

Requirement 2

The second requirement asked whether the company should offer compensation to a small group of injured consumers. The quality of answers varied significantly to this requirement. A significant minority argued that it would be unethical to offer compensation, despite the fact that a successful claim for damages would normally result in a financial settlement and that claims are frequently settled out of court by the negotiation of terms.

Many candidates did manage to highlight the commercial implications of reaching a financial settlement.

Requirement 3

The third requirement asked about communication to the public concerning the failed product. Most candidates answered with a discussion of the media that would have been used to communicate a particular message, which was acceptable given the wording of the question. There was very little evidence of candidates considering the message that would be communicated to the public or what the public's interest would probably have been as potential buyers of the new monitor.

Requirement 4

The fourth requirement asked whether the share price would change as the result of the news story associated with the product failure. Very few candidates considered the relevant issues, namely the extent to which the capital markets would have considered the threats and the timing of the news becoming available to the stock market. Many candidates discussed the efficient markets hypothesis, which was potentially relevant but which would have required some attention to have been paid to the scenario.

Variant 4

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluate a new strategic direction	Business skill	E3 B1b – recommend strategic options
	Evaluate differences between strategic objectives of private and public sector entities	People Skill	F3 A1a – advise on the overall strategic financial and non-financial objectives of different types of entities
Task 2	Discuss risks associated with new products	Technical skill	P3 A1a – identify the types of risk facing an organisation
	Recommend alternative strategic performance measures	Leadership skill	E3 D1a – evaluate alternative models of strategic performance measurement in a range of business contexts
Task 3	Identify strategic driving and restraining forces	Leadership skill	E3 C2a – evaluate tools, techniques, and strategies for managing and leading the change process
	Evaluate the impact on shareholders of a decision to not pay a dividend	Technical skill	F3 A2a – evaluate the interrelationship between investment, financing and dividend decisions for an incorporated entity
	Evaluate the usefulness of Big Data in a strategy of health management programmes	People skill	P3 B1a – recommend appropriate measures for the strategic control and direction of various types of organisations
	Evaluate the key potential risks of data analytics	Business skill	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

Section 1 related to a proposal from a foreign government education department for Vita to assist in delivery of a health management programme for local school children. Candidates were asked to firstly consider whether the proposal demonstrated strategic fit with Vita's current portfolio and core competencies and secondly, how the strategic objectives of the government department might differ from those of Vita and the problems this cause

Requirement 1

Most candidates recognised the most obvious aspects of strategic fit, such as its fit with Vita's mission and vision and that the proposal fits with Vita's existing product portfolio and therefore provides some balance to Vita's portfolio. Most candidates also recognised that Vita already has core competencies in basic data management activities, Vita already has the technology to manage and report the data and has the skilled staff to design the required data management system. However, relatively few answers included much more than this. There was limited mention of the reaction to the competitive trend in the market or a potential reduction in Vita's over-reliance on the need to constantly research and develop new product ideas. Overall, candidates made several relevant points but many answers lacked sufficient depth and breadth of analysis.

Requirement 2

In the second task candidates were asked to consider the potential differences between the strategic objectives of the foreign government department and Vita and to examine the potential problems this could cause.

Most candidates did correctly recognise the most obvious issue of the differences between a public and a private sector organisation in terms of profit seeking objectives. Most candidates correctly discussed the government's focus on value for money versus Vita's need to focus on shareholder wealth, as a private sector business. When discussing the problems, most candidates went little further than the profit motive and failed to consider the challenges which will be faced in measuring the overall success of the programme. In addition, few candidates recognised Vita's expectations of project outcomes, in terms of timeframe, and that these may not be aligned with the government department expectations (i.e. they are likely to be much shorter). Very few answers considered the challenges in managing the achievement of strategic objectives for both organisations and managing the allocation of financial risks and rewards and developing a suitable contractual framework.

Most answers to this part of Section 1 were superficial and went little further than demonstrating a basic understanding of the differences between public and private sector organisations in general. Again, a major weakness of many candidate's answers was the lack of direct application of knowledge to the case context.

Section 2

The two tasks in this section required candidates to consider in more detail the implications for Vita of undertaking this health management programme and future health management programmes. Firstly, candidates were asked to consider the business risks of undertaking the Fit-4-Life health management programme. Secondly, candidates were asked to recommend a range of performance indicators to help Vita measure its own performance in the delivery of any future health management programmes it may decide to undertake.

Requirement 1

This task was reasonably well answered by most candidates. Most presented a good range of potential business risks, including reputational, financial and economic risks. Many candidates used the exhibit material and the unseen material well to identify the most relevant risks, although few considered contractual risks. It would have been preferable for candidates to identify and discuss a smaller range of the most relevant risks in depth rather than the approach that many candidates took which was to list a wider range of risks without adding any real depth of discussion and analysis.

Weaker answers were those that did little more than identify a limited range of risks rather than evaluate them. Also, some candidates went into far too much depth on financial risks, spending too long on discussing hedging techniques and theoretical syllabus content. Few marks are awarded for this approach.

Performance indicators

This part of the task was not well answered by most candidates. Most candidates demonstrated a basic knowledge and understanding of the balanced scorecard approach and the measures used within each aspect but few applied these successfully to Vita's proposed future health management programmes. Indeed, few candidates actually answered the question set. The requirement asked candidates to present performance indicators to assess Vita's own performance in future health management programmes. Most answers were focused on performance measures which measured the Fit-4-Life programme and its participants, which were largely not relevant. Candidates must take care and answer the question that has been asked.

Section 3

Section 3 focused on the strategic driving and restraining forces for Vita in delivering more health management programmes. Also, candidates were asked to consider the use of big data analytics as a strategic resource and the potential risks of big data analytics for Vita. The task also asked candidates to consider shareholder reaction to not receiving a dividend.

Requirement 1

The first part of this task was answered reasonably well by most candidates. Most correctly identified a reasonable range of driving forces, including the enthusiasm of the Chief Technology Officer and the need to react to the current competitive environment. Candidates also recognised a reasonable range of restraining forces including Vita's lack of experience and senior management reluctance.

Weaker answers to this task were those that merely discussed the advantages and disadvantages of the proposal rather than the driving and restraining forces.

Requirement 2

This second part of the task was reasonably well answered. Most candidates correctly recognised from the pre-seen material that since listing Vita has operated a zero-dividend policy, whereby all surplus earnings have been reinvested back into the business. Vita has communicated to shareholders that this policy will continue for the foreseeable future as it invests in the business, in such proposals as the health management programmes. Therefore, most candidates did correctly discuss the fact that most shareholders will be accepting of this position.

Weaker answers were those that spent too long discussing theoretical concepts relating to dividend policy with little or no application.

Requirement 3

This part of the task was generally not well answered by most candidates. Many answers were very thin and poorly applied to Vita. Many answers focused on descriptions of big data as a concept and not how Vita could apply it to achieve strategic competitive advantage. Few candidates suggested applications directly applicable to Vita, such as using big data analytics to segment its customer base to identify high-value customers, which is essential for fine-tuning sales and marketing efforts. Few candidates recognised the strategic application of data from Vita's apps and the website and user social and community networks, which could be invaluable in identifying patterns of behaviour, preferences, and user retention.



Most answers were theoretical and descriptive and few were adequately applied to Vita's own specific use of big data analytics. This was overall a very disappointing aspect of candidates' performance on this variant.

Requirement 4

This task was answered reasonably well, although again, answers were often more knowledge based than directly applied to Vita. Most answers correctly considered the data security risks and also the additional costs. However, few candidates considered whether Vita has the potential skills to manage this new resource and the financial and time costs associated with acquiring and developing such skills. Few candidates recognised the potential risks to its current portfolio and customer perception of its general business direction.

Variant 5

	Designed to test ability to:	Competency being tested:	Syllabus lead learning outcome:
Task 1	Evaluate the strategic risks of implementing a product recall	Business skill	P3 A1a – identify the types of risk facing an organisation
	Assess the role and responsibility of the directors in managing risk	People skill	E3 B1c – discuss the role and responsibilities of directors in the strategy formulation and implementation process
Task 2	Evaluate the potential impact of litigation on financial performance	Technical skill	F3 A1a – advise on the overall strategic financial and non-financial objectives of different types of entities
	Advise on the creation of an effective team to respond to litigation	Leadership skill	E3 C1b – evaluate the role of leadership in managing the change process and building and managing effective teams
Task 3	Evaluate impact of a shareholder's divestment on share price	Technical skill	F3 C2a – calculate the value of a whole entity (quoted or unquoted), a subsidiary entity or division using a range of methods including taxation
	Recommend approach to communication with public in order to restore confidence in products	People skill	E3 A1d – recommend how to build and manage strategic relationships with stakeholders (including suppliers, customers, owners, government and the wider society)
	Evaluate the need for a risk manager	Business skill	P3 A2a – recommend techniques that will enable the board to discharge its responsibilities with respect to managing risks
	Discuss the role of the audit committee in managing risk	Leadership skill	P3 B3a – evaluate the risks associated with poor governance structures

Comments on performance

Section 1

Requirement 1

In the first requirement of section 1 candidates were asked to consider the risks as to whether or not a product recall should be carried out or not. Reasonable discussions were put forward on cost, reputation, trust and management effort required. Better candidates cited other cases both from the pre-seen and external market, identifying that long-term product and company reputation was at stake with communication and cost both needing to be high to be successful. Better candidates also considered possibilities for on-line updates of firmware and software to redress the issue perhaps more effectively than as a physical recall, as a recall may imply that the owners can reject the product and demand recompense with potential disastrous results on market share.

Requirement 2

In the second requirement, considering the roles and responsibilities of directors in managing this issue effectively, candidates showed very poor knowledge of specific director involvement in these circumstances and most simply fell back on general rote learning of fiduciary duties to shareholders. Only the better candidates actually discussed any specific actions or responsibilities to “manage this issue effectively” which was the key part of the question. Those better candidates basically highlighted the need for some informed review of the situation with a ratification of actions already taken or development of an action plan to meet compliance standards at least. The best candidates highlighted the need to review at a high level using external experts if required to cover areas where the board lacks individual expertise.

Section 2

Section 2 rolls forward 6 months with further testing having promoted the decision not to recall. However a death has occurred, an experienced veteran runner, whose family is blaming the Primus for his death.

Requirement 1

In the first requirement, where the Candidates were asked to consider the effect of this public litigation on the next 12 months financial performance, there was a reasonable response with many candidates doing quite well. Most related to a simple drop in sales, better candidates pointing out the nature of the market.

Refunds also received quite good coverage as did copycat litigation and the potential multiplication of costs of settlement. However there was less awareness of ongoing marketing costs in promoting messages to maintain product confidence, or indeed in the sorts of fighting the case.

Requirement 2

In the second requirement, to outline how to build a team to deal with the litigation, many candidates failed to assemble anything fit for purpose as a team. There were many rote learning answers on; Forming, Norming, Storming with some Belbin and “Mix” of skills, leadership, finance etc. with no real direction. This was very disappointing as the question was very clear in this case “Litigation.....To deal with the issue”.

Good candidates immediately recognised the simple step of Hiring an external Expert on the legal front to deal with the technicalities of unfamiliar territory with the best candidates quickly including expertise from medical and technical R&D, with a press office, public spokesperson to front media and address internal communications.

Few candidates answered what was asked.

Section 3

Section presented as 4 separate linked requirements. Vita having won the litigation case, the candidates are placed in a position to consider residual damage limitation. Taking these in turn;

Requirement 1

Firstly, with the news of a major primary investor announcing they will divest their investment, how might the timing of share sales affect the share price of Vita? This was, on the whole, answered well. Most candidates referenced the signalling effect of a primary investor divesting and how that might trigger significant market unrest causing a potential crash in Vita’s share price. Better candidates went on to explain how that might render them vulnerable to a takeover if other investors followed Rogerson’s lead and the shares became heavily undervalued. Most candidates went on with reasonable clarity on how the gradual release of stock would greatly ease this process and preserve share values.

Requirement 2

How and what communication should be held with the public to restore confidence? This on the whole was relatively weak with lots of generic comments about making public announcements without specifying content. Better candidates quickly linked appropriate communication with promotion and celebrity endorsement. Disappointingly few candidates picked up on social media hype and management.

Requirement 3

Should a dedicated risk manager be brought on board to monitor and manage risks? Very few candidates linked this to the scenario. Most candidates just listed the role of a risk manager and paid no attention to the scenario or specifics of the market at all. Better answers, of which there were few, looked at the market position, social media, emerging technologies, other case incidents referring both to the pre-seen material and external real life recalls and product reputation issues. Overall, responses were poor for this requirement.

Requirement 4

Finally, the evaluation of the role of the Audit Committee in ensuring effective risk management was often not answered specifically or only very briefly answered. Many candidates gave some rote learning responses on directors remuneration, compliance and some other mostly irrelevant issues with very few actually expanding on the need to keep abreast of market developments and ensure that the company's risk strategy actually faces the risks emerging in the market.