

Strategic Professional – Essentials

Strategic Business Leader (SBL)

September/December 2019 – Sample Questions



Time allowed:

4 hours including reading, planning and reflective time.

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

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

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

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

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

SBL

Think Ahead

ACCA

The Association of
Chartered Certified
Accountants

Overview

Dulce Co (Dulce) is a listed company which manufactures and sells high quality chocolate and confectionery (other sweets). It was founded over 100 years ago by the Reece family in Northland, initially operating from one shop in a small town. Over the years, Dulce has grown steadily and has been very successful, becoming a household name in Northland and the surrounding countries. Its reputation and success have been built on the high-quality products it manufactures and sells. It offers products across a wide price range, optimising its appeal and affordability to potential customers. Dulce's products include a wide variety of boxed chocolates, confectionery (other sweets such as candies, ice-cream and toffee), and novelty occasion and seasonal items (such as chocolate teddy bears). Dulce's products are often bought as gifts on special occasions and for seasonal events and celebrations.

Dulce manufactures all of its products in its single factory in Northland and the products are then sold through a variety of sales channels. This comprises Dulce's own high street shops located in Northland, the Dulce website and a number of retail partners, including several of the main supermarkets, department stores and gift shops in Northland. At present, Dulce sells all of its products through retail partners under its 'own label'. That is, all of Dulce's products sold by its retail partners bear Dulce's name and branding.

Dulce is listed on the Northland stock market and adheres fully to the government's corporate governance guidelines in terms of board and committee structure and operations. Dulce operates two divisions: retail and operations. The retail division is responsible for Dulce's shops and online sales. The operations division is responsible for managing suppliers and the production process.

Although Dulce remains one of the most trusted and recognisable brands in Northland, it has faced challenges in recent years. These challenges have largely been driven by changes in customer tastes and buying habits, increased competition from online retailers, fluctuating raw material prices and the economic recession impacting on customers' disposable incomes. Although Dulce has remained profitable, growth has stagnated in the last three years and the board of directors is currently undertaking a strategic review, focusing on how it can develop and grow the business and on how it can improve business performance. The board is also in the process of reviewing its risk management activities with a view to ensuring that these risks do not impede the achievement of its strategic aims.

You are a senior business manager reporting directly to the finance director of Dulce and you work on a wide range of strategic level projects and activities. You are often asked by the finance director and other board members to report to them on a variety of strategic level issues and you are currently working for the board on the current strategic review process.

The following exhibits provide information relevant to Dulce:

- Exhibit 1: Extracts from Dulce's annual report 20X8, highlighting Dulce's mission, strategic aims, products and ethical sourcing standards.
- Exhibit 2: A slide deck presented by the sales director outlining Dulce's proposed sales development strategies.
- Exhibit 3: A data sheet presenting information relating to proposed orders from Excelsior department store and BB supermarket.
- Exhibit 4: An email containing Dulce's current risk register.
- Exhibit 5: A newspaper article relating to child-labour practices in the supply chain of the chocolate manufacturing industry.
- Exhibit 6: Summary of a brainstorming meeting outlining key business activities and operations of Dulce.

The case requirements are included in the tasks shown below:

- 1 You have recently attended a meeting with the finance director and the sales director, where it was discussed how Dulce should develop and grow the business. The sales director is about to make a presentation to the rest of the board on a number of sales development strategies which he proposes will assist Dulce in achieving its stated strategic aim of developing its product range and its markets.

Required:

- (a) The sales director has asked you to provide a set of notes to accompany the presentation he has prepared for the board, which discuss how the sales development strategies he has proposed will assist Dulce in achieving its strategic aim.**

Note: Slides are not required.

(16 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in showing clear awareness of the organisational and wider external factors which could contribute to the achievement of Dulce's strategic aim. (4 marks)

At the same meeting, the sales director advised the finance director that Dulce is currently considering manufacturing a range of three new luxury hand-made chocolate products (A, B and C) for two retail partners, Excelsior department store and BB supermarkets. However, due to a current shortage of skilled labour in hand-made production techniques, Dulce would currently be unable to supply both of the retail partners' orders in full. Therefore, Dulce must decide which order should be prioritised and be completed in full and which could be partially completed, in order to optimise the use of the skilled labour available.

Following this meeting, the finance director requested one of the finance team to compile a data sheet for you, relating to both potential orders, and she has asked you for a full evaluation of the two orders so that a final decision can be made.

Required:

- (b) Prepare a report for the finance director which:**

(i) Evaluates the financial and non-financial implications of Dulce prioritising one order over the other; and (12 marks)

(ii) Recommends, with justification, which order should be prioritised. (4 marks)

Professional skills marks are available for demonstrating *communication* skills in using compelling and logical arguments and clarifying the information presented to convey relevant information to the finance director. (4 marks)

(40 marks)

- 2 The audit and risk committee is currently carrying out an annual strategic review of Dulce's risk management activities. As part of this review, the chairman of the audit and risk committee has asked you to assist him in considering how the risks included in the current risk register could have an impact on the achievement of Dulce's strategic aims.

Required:

(a) Compile a table for the chairman of the audit and risk committee which:

- (i) Analyses how the risks identified in the current risk register could have an impact on the achievement of Dulce's strategic aims; and**
- (ii) Recommends mitigating activities for each of these risks.** (16 marks)

Professional skills marks are available for demonstrating *analysis* skills in considering the risks identified by Dulce. (4 marks)

The audit and risk committee is also aware of discussions from a senior leadership team meeting regarding the use of child-labour on cocoa farms supplying the chocolate manufacturing industry. At this meeting, which you also attended, there was a discussion regarding Dulce's response to the findings of a recent news article. The operations director stated that no response is needed, as most customers are unaware of the issue, and the use of child-labour is common amongst most cocoa farmers and is an accepted practice. However, the human resource director insisted that this risk must be removed at all costs and that Dulce must stop using all cocoa farmers who use child-labour immediately and look for new cocoa farmers. The finance director suggested that Dulce should continue to use its cocoa farmers but that it must control and monitor them more effectively to maintain ethical standards.

Required:

(b) You have been asked by the chairman of the audit and risk committee to prepare three presentation slides, with accompanying notes, for presentation at the next board meeting, which:

- (i) Identify how each risk response suggested by the three directors would be categorised using an appropriate risk management framework;** (4 marks)
- (ii) Evaluate the appropriateness of the risk responses of the operations director and the human resource director; and** (6 marks)
- (iii) Consider the suggestions of the finance director, including recommendations for TWO control activities which should be implemented to assist in managing this risk.** (6 marks)

Professional skills marks are available for demonstrating *scepticism* skills in challenging the opinions of the board made in relation to the risk responses to the use of child-labour in Dulce's supply chain. (4 marks)

(40 marks)

- 3 You recently attended a brainstorming meeting with some of the directors of Dulce. At this meeting the participants brainstormed the key processes and activities Dulce should focus on to achieve performance excellence, with the aim of increasing customer retention and loyalty. Following this meeting, the finance director has asked you to consider the brainstorming meeting summary in order for the directors to evaluate how Dulce is achieving performance excellence.

Required:

Present a set of briefing notes for the finance director which evaluate the extent to which the criteria for achieving performance excellence are being met by Dulce, using the findings of the brainstorming meeting. (16 marks)

Professional skills marks are available for demonstrating *evaluation* skills in using professional judgement to appraise objectively the findings and opinions of the directors. (4 marks)

(20 marks)

DULCE

Make every day special

Who we are

We are Northland's most famous confectionery maker, providing our customers with quality chocolate and confectionery for over 100 years.

Mission

Our mission is to be Northland's best loved confectionery brand, bringing our customers together to make every day special.

Our strategic aims

1. We aim to develop our product range and our markets, by focusing on offering customers the products they demand in the locations they are demanded.
2. We aim to focus on performance excellence in our leadership, operations, supplier management, customer engagement and staff development to build and maintain strong customer relationships.



What we make

Boxed chocolates	Chocolate figures	Chocolate bars
Chocolate bags	Chocolate truffles	Candies
Ice cream	Toffee	Fudge

What we believe

Ethical sourcing

- We buy most of our cocoa from two of the world's most respected cocoa suppliers, which are expected to ethically source all of our cocoa supplies.
- Over 200 different raw materials go into our chocolates, many of which are sourced by our suppliers from cocoa farmers in the countries of Geeland and Rodia. We demand the highest levels of ethical, social and environmental standards from our suppliers.
- Our suppliers regularly visit and audit all of the largest cocoa farms each year.
- It is also important to us that all of the farmers who supply our cocoa suppliers are treated fairly and paid appropriately and in line with local wage standards.
- We like to build long-lasting relationships with suppliers which are open and honest. We buy key cocoa supplies with forward contracts to reduce, as much as possible, the uncertainty in the cocoa buying process and work with suppliers to choose the optimal time and quantity for purchases.
- We support international initiatives to improve livelihoods of cocoa farmers and promote responsible labour practices. Our cocoa suppliers employ thousands of people both directly and indirectly in processing cocoa and monitoring and auditing the cocoa farms they work with.
- We invest in international initiatives which provide farm workers with basic healthcare services and educational opportunities.

DULCE

SALES DEVELOPMENT STRATEGIES

A presentation by the sales director

Slide 1

DULCE SHOPS

- 165 high street shops – our main sales channel in Northland (despite declining annual sales for last three years)
- Require investment in refurbishment and staff training to improve customer experience
- Close 20 shops next year to focus on most profitable locations

Slide 2

DULCE WEBSITE

- Used to sell our whole range of products (to individuals and corporate clients)
- Possibility to develop other gift ideas (such as flowers, greeting cards, gifts and food hampers)
- Role in international sales growth
- Forecast growth in international website sales in the next five years

Slide 3

RETAIL PARTNERS

- Strong growth in sale of Dulce's boxed chocolate ranges to supermarkets in the last two years
- Aim to sell a wider range of our products to retail partners in the next two years
- Aim to sell to a wider range of retail partners in the next two years (more gift shops and department stores)

Slide 4

Exhibit 3: Data sheet on proposed orders

DATA SHEET: NEW LUXURY HAND-MADE CHOCOLATE RANGE

General information

- Proposal to manufacture and sell three new luxury hand-made chocolate products (Boxes A, B and C).
- Production constrained by skilled labour availability for hand-made products.

Excelsior order

- Excelsior is a high-class department store, located in the capital city of Northland.
- Dulce has not worked with Excelsior before.
- Reputation for selling high quality, exclusive products.
- Dulce's new products (A, B and C) would be sold as Excelsior's 'own label' chocolates.
- Order is initially for a three-month period only.
- Considering purchasing other luxury hand-made products from Dulce if these products are successful.

BB supermarkets order

- BB is Northland's second largest supermarket chain.
- Dulce has been supplying BB with its normal range of Dulce branded chocolates for over five years.
- The proposal is for BB to order the same three products (A, B and C) as above, but to sell them in BB supermarkets under Dulce's manufacturing brand label.
- Sales would initially be for three months and only offered in 10% of its supermarkets. However, BB is confident that sales would be rolled out to the remaining of its supermarkets across Northland after the three-month trial period.

Forecast demand per product per month

Available skilled labour hours per month = 30,000

	Box A	Box B	Box C
Contribution per box (\$)	8	9	6
Labour hours per box (Hr)	2	3	3
Contribution per labour hour (\$)	4	3	2
Proposed order of each box per month:			
Excelsior	2,000	2,000	2,000
BB supermarkets	3,000	3,000	3,000

Exhibit 4: Dulce's current risk register

To: Senior business manager

From: Chair of risk and audit committee

Subject: CONFIDENTIAL: Dulce risk register

Please find attached the current risk register compiled by the audit and risk committee, which we are in the process of reviewing. I have forwarded it for your consideration and assistance.



ATTACHMENT: Dulce risk register

Risk item	Risk manager	Description	Rating
Competitive marketplace	CEO	<ul style="list-style-type: none">– The global confectionery market has many strong players. Our competitive position depends on our continued ability to offer products which strongly appeal to consumers and which are readily available in the places they are demanded.	HIGH
Key input prices are driven by commodity markets	Operations director	<ul style="list-style-type: none">– Adverse changes in certain commodity prices (particularly cocoa supplies) could affect our liquidity and profitability.	MEDIUM
Our products must have the highest integrity	Manufacturing director	<ul style="list-style-type: none">– Product contamination (for example, uncleanliness or impurities in the materials or production process) could be harmful to customers.– Unethical sourcing of materials could severely damage our reputation.	HIGH
We depend on the skills, enthusiasm and wellbeing of our staff	The board	<ul style="list-style-type: none">– Poor staff management or lack of skills in our whole team could result in the loss of the competitive advantage derived from our highly skilled staff or the loss of staff to competitors.– We rely heavily on the loyalty and commitment of our staff.	MEDIUM

CHILD-LABOUR PRACTICES LEAVE A BAD TASTE FOR NORTHLAND CHOCOLATE MANUFACTURERS

NORTHLAND BUSINESS TIMES

A report by retail editor Lee Bale

The countries of Geeland and Rodia supply more than 70% of the world's cocoa. The cocoa they grow and harvest is sold to 90% of global chocolate companies, including those based in Northland. However, in recent years, several organisations and journalists have exposed the widespread use of child-labour on cocoa farms in both Geeland and Rodia.

The realities of child-labour

Cocoa is a commodity crop grown primarily for export. As the chocolate industry has grown over the last 20 years, so has the demand for cheap cocoa. However, on average, cocoa farmers in Geeland and Rodia earn less than \$2 per day, an income significantly below the poverty line. As a result, they often resort to the use of child-labour to keep prices competitive.

The children of Geeland and Rodia are surrounded by intense poverty, and most begin working at a young age to help support their families and many offer vital sources of income for the poorest families. Children are mostly used to climb the cocoa trees to cut bean pods using a machete. These large, heavy, dangerous knives are the standard tools for children on the cocoa farms, which violates international labour laws relating to eliminating the worst forms of child-labour. In addition, over 40% of child-labourers in Geeland and 60% in Rodia working on cocoa farms do not attend school.

Is child-labour free chocolate possible?

Despite their role in contributing to child-labour, the chocolate industry has not taken significant steps to remedy the problem. Within this billion dollar industry, chocolate companies have the power to end the use of child-labour by paying cocoa farmers a living wage for their product. The chocolate industry is also being called upon to develop and financially support programmes to educate children working on cocoa farms. However, to date, the industry has seemingly achieved limited success in removing child-labour and a lack of transparency is characteristic of the chocolate industry as it consistently fails to act.

The truth is that consumers today have no sure way of knowing if the chocolate they are buying involves the use of child-labour. Despite the fact that last month a Northland journalist investigating farms in Rodia (where Northland chocolate companies buy cocoa) filmed illegal child-labour practices, a recent public survey in Northland highlighted that less than 5% of customers were aware of child-labour practices in the chocolate manufacturing industry.

Clearly, Northland chocolate manufacturers have a long way to go to address these unethical activities and until they do, the ethical standards of these manufacturers must be called into question.

Exhibit 6: Summary of brainstorming meeting



MEETING NOTE: During the meeting, the directors used the Baldrige model as a framework to assess Dulce’s approach to performance excellence.

End of Question Paper