

**ACCA**

**SBL**

**Strategic Business Leader**

**Study Text**

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## How to use the Materials

These Kaplan Publishing learning materials have been carefully designed to make your learning experience as easy as possible and to give you the best chances of success in your examinations.

The product range contains a number of features to help you in the study process. They include:

- 1 Detailed study guide and syllabus objectives
- 2 Description of the examination
- 3 Study skills and revision guidance
- 4 Study text
- 5 Question practice

The sections on the study guide, the syllabus objectives, the examination and study skills should all be read before you commence your studies. They are designed to familiarise you with the nature and content of the examination and give you tips on how best to approach your learning.

The **Study Text** comprises the main learning materials and gives guidance as to the importance of topics and where other related resources can be found. Each chapter includes:

- The **learning objectives**, which have been carefully mapped to the examining body's own syllabus learning objectives or outcomes. You should use these to check you have a clear understanding of all the topics on which you might be assessed in the examination.
- The **chapter diagram** provides a visual reference for the content in the chapter, giving an overview of the topics and how they link together.
- The **content** for each topic area commences with a brief explanation or definition to put the topic into context before covering the topic in detail. You should follow your studying of the content with a review of the illustration/s. These are worked examples which will help you to understand better how to apply the content for the topic.
- **Test your understanding** sections provide an opportunity to assess your understanding of the key topics by applying what you have learned to short questions. Answers can be found at the back of each chapter.
- **Summary diagrams** complete each chapter to show the important links between topics and the overall content of the paper. These diagrams should be used to check that you have covered and understood the core topics before moving on.

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### Icon Explanations



**Definition** – Key definitions that you will need to learn from the core content.



**Key point** – Identifies topics that are key to success and are often examined.



**Illustration** – Worked examples help you understand the core content better.



**Test your understanding** – Exercises for you to complete to ensure that you have understood the topics just learned.



**Supplementary reading** – These sections will help to provide a deeper understanding of core areas. The supplementary reading is **NOT** optional reading. It is vital to provide you with the breadth of knowledge you will need to address the wide range of topics within your syllabus that could feature in an exam question. **Reference to this text is vital when self-studying.**

# Introduction to the strategic business leader exam

## **Chapter learning objectives**

Upon completion of this chapter you will be able to:

- understand the aims and structure of the Strategic Business Leader (SBL) exam and how it is marked
- understand what it means to be a "strategic leader"
- understand the professional skills required in the SBL exam and how they are examined

## 1 Introduction

### The aim of the exam

The aim of the Strategic Business Leader (SBL) exam is to demonstrate organisational leadership and senior consultancy or advisory capabilities and relevant professional skills, through the context of an integrated case study.

The examination requires candidates to demonstrate a range of professional skills demanded by effective leaders or in advising or supporting senior management in directing organisations.

### Role play

The basic structure of each exam will require the candidate to take the **role** of an organisational leader or as a consultant or adviser to senior management.

For example, in specimen exam 1, candidates were asked to adopt the role of an independent business analyst employed by PSS to advise the PSS board of directors on various strategic projects and initiatives.

Whereas in specimen exam 2, Yexmarine is seeking advice on a number of issues from Tranart Consultants. You work for Tranart Consultants, and you have been assigned to Yexmarine.

In each scenario candidates were expected to "get into character" and be very careful to consider who they were working for and who the report was for and what they required.

## 2 The strategic leader

### Being a leader

Increasingly the role of accountants is that of professional advisors and leaders within business.

A leader is expected to be able to

- analyse a business situation and
- provide and implement appropriate, effective and sustainable solutions.

This means that they can

- be clear and focused, identifying the key issues in any situation
- analyse and address ethical concerns
- use technical models and quantitative analysis to draw out key issues, establish causality and integrate a wide range of factors into a coherent argument
- make clear recommendations that meet and exceed the needs of users and are 'fit for purpose'.

The SBL exam will test the extent to which you can fulfill this role and demonstrate this skill set.

## Thinking strategically

Strategic analysis is covered in great depth within the strategic business leader syllabus but at this stage it is sufficient to remind you of the key characteristics of thinking strategically.

Having a strategic perspective means the following:

- Taking a **long-term perspective**.

In the exam you could be presented with a problem and a potential solution but are expected to ascertain that the solution is nothing more than a short-term 'fix' and fails to address the longer term issues facing the firm, such as a decline in its main markets.

- Looking at the **whole organisation** as well as individual products/divisions/strategic business units (SBUs).

For example, suppose a division is looking to introduce a new low-cost product – how could this affect sales of other company products that are currently marketed as high-quality, luxury items? Could the low cost item erode the existing brand name? Should the new product be sold under a different brand name?

- Setting the **direction** of the whole organisation and integrating its activities.

A new strategy could require a change in the firm's organisational structure, governance structures and IT systems. All of these will need to be integrated to ensure success.

- Considering the views of **all stakeholders**.

A project may create wealth for shareholders but would pollute the environment – would you accept it?

- Analysing the organisation's **resources** and defining resource requirements.

For example, a company that has previously sold mainly to middle-aged consumers is considering targeting teenagers. Is the company's brand name strong enough to move into the new market?

- Relating the organisation to its **environments**.

All strategies need to be 'positioned' in respect of what is happening within markets, key trends, the activities of competitors and so on.

- Looking at gaining a sustainable **competitive advantage**.

How is the firm currently competing – is it on the basis of low cost, high quality or a strong brand name? Does the new strategy ensure a sustainable competitive edge going forwards?

In the exam most, if not all, of the questions will have a strategic context, so pitch your answer accordingly.



## Test your understanding 1 – MacDonald Farm Ltd

### The company

The entire share capital of MacDonald Farm Ltd is owned by Ken MacDonald and his wife, Jane. Their business consists of owning and running a 1,200 hectare farm, with land split between rearing lambs and growing a range of fruit and vegetables, including sugar beet.

MacDonald Farm Ltd is in the country of Florentinia, which is currently part of an economic union that includes the following systems and rules:

- There are no trade barriers or tariffs for the sale of goods between member states.
- There is a uniform, high level of tariffs that countries outside the union have to pay. This means for example, that there are few imports of African cane sugar and that imported New Zealand lamb is relatively expensive for consumers.
- Farmers within the union receive subsidies based on how large their farms are.

### Recent events

Most of MacDonald Farm Ltd's produce is sold to large supermarket chains, who have been exerting more pressure on the farm to reduce prices. As a result the farm has started to see a decline in its annual trading profits, which in recent years have averaged \$180,000 per annum.

In a recent referendum the people of Florentinia voted to leave the economic union with the "Flexit" scheduled to take place within the next two years. At this stage it is unclear what type of trading deals (and associated rules and restrictions) will be negotiated between Florentinia and the economic union and between Florentinia and other countries outside the union.

### Proposal

Ken MacDonald is worried about the future and is therefore investigating using 200 hectares to set up a new exclusive 18-hole golf course.

Preliminary research suggests that planning permission will be forthcoming and demand projections are encouraging, given that membership waiting lists at the two existing golf clubs in the area exceed 350. If the project goes ahead, the new golf club is expected to be much better appointed than the two existing courses nearby.





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