

TOPCIMA – March 2008 - Post Exam Guidance report

1.0 General Overview

The purpose of this report is to give help and advice to candidates who were not successful in the March 2008 sitting of the Solberri TOPCIMA exam. This report explains what the examiner was looking for in candidates' answers and details the most common mistakes made by candidates sitting this exam.

This report will also be useful to candidates planning to sit a future TOPCIMA exam, as the advice given is not necessarily specific to the March 2008 TOPCIMA case, but can be taken and used to improve candidates' understanding of the higher level analysis skills required to pass this final CIMA exam.

This case was about an international hotel group called Solberri. The requirement was similar to previous TOPCIMA exams. Candidates were asked to write a report to the Board of Solberri, which:

- Prioritises the issues facing Solberri
- Analyses and evaluates the issues and provides a choice of alternative actions to address them
- Makes appropriate recommendations on what actions should be taken, together with the rationale for why each particular course of action has been selected (from the choices provided earlier in the report).

The assessment matrix has 9 criteria, each of which carries between 5 and 20 marks. It is stressed that it is important to earn high marks in Judgement (for analysis of the issues) and Logic (for recommendations), as each of these criteria carry 20 marks.

By the end of 2000 Solberri had 10 resort hotels and its 2 original hotels in the Mediterranean area and at this time, Solberri hotels were considered amongst the most prestigious in Europe. However, in both 2005 and 2006 the group made operating losses. It had become clear that management had become complacent and had assumed that Solberri's previous growth and level of profitability would continue. Subsequently, Solberri's management reviewed the pricing structure and as from May 2007, an "all inclusive" pricing policy was implemented. In addition, considerable investment has been made in upgrading hotels to the "Premier" status and in establishing world class spa facilities. As of March 2008, there are 2 "Premier" hotels, with a further 2 "Superior" hotels currently undergoing extensive refurbishment in order to bring them up to the standard of the "Premier" category by the start of the 2008 Peak season, which begins in May 2008.

The 2 main issues in the unseen material concerned:

- The lower than expected occupancy levels predicted for the forthcoming 2008 Peak season. Solberri must urgently consider the 3 alternatives to increase occupancy levels (the direct mail proposal, the joint advertising with HTA and the CRUZ proposal).
- The illness of the Chairman, Richard Solberri, who will be on sick leave for at least six months. Solberri Board must decide who the replacement will be.

The unseen material also included 4 issues of secondary importance:

- The problem with the faulty elevator at one of Solberri's "Superior" hotels.
- Complaints made by employees relating to the poor standard of accommodation and about the appropriateness of the induction training provided.

- The decision regarding whether or not to divest the 3 “Super plus” hotels from the portfolio, taking into account the three strategic alternatives available.
- Solberri Board must keep investors satisfied that they are taking positive actions in order to increase occupancy levels for the forthcoming May 2008 Peak season.

Prioritisation is very important, with the need to identify and subsequently analyse around 5 issues. Therefore it is NOT necessary to discuss ALL 6 issues in this case. However, without discussing either of the 2 main issues of occupancy levels and the absence of Richard Berriman, it would be difficult to earn sufficient marks to pass. In fact, almost every candidate did discuss one or both of these 2 important issues.

2.0 Areas that were well attempted by candidates

The format of candidates' reports remains generally good. Technical knowledge was also good, with most candidates demonstrating a sound knowledge of a wide range of models and management theories. Most candidates also earned pass marks in prioritisation. Recommendations were good in some candidates' reports, as they showed clear reasoning as to how they had reached each recommendation. It is this justification behind the recommendation that earns higher marks rather than the recommendation itself. Also, many candidates correctly prepared recommendations for all of the issues they had identified, prioritised and discussed earlier in their report. Ethical issues were generally well answered, although advice tended to be weak.

3.0 Areas that were not well attempted by candidates

There are 20 marks for Judgement and 20 marks for Logic. Therefore these two criteria have a significant impact on the total marks awarded. It is in these two criteria that unsuccessful candidates often did not achieve high marks, resulting in marginal fail marks overall. Therefore it is important to learn the skills required in order to earn pass marks in these two criteria in particular.

Within these 2 criteria there were 3 main areas of weakness:

1. For some candidates, occupancy levels were not considered to be the most critical area of focus for Solberri. Many candidates failed to recognise the urgency of this issue and that investors must be convinced that Solberri management are actively seeking ways to increase occupancy levels for the Peak season of 2008. The investors will be looking to achieve the forecast profit levels and will not be happy with the predicted occupancy levels. Therefore, it is very important that the Board is seen to be taking positive action in order to increase occupancy levels. Many candidates ignored the CRUZ proposal completely or dismissed it as not being a viable strategy, as the discount required by CRUZ was considered to be too high. Some candidates also dismissed the HTA proposal, considering this to be some kind of blackmail by HTA and cited it as an ethical issue. This kind of strategic alliance is a legitimate business matter and is common practice in the travel industry. Some candidates in fact earned marks for giving a number of real life examples to demonstrate this. Both the CRUZ and HTA proposals were viable strategic options for Solberri, yet many candidates chose to dismiss these, as they did not consider occupancy levels to not be the most important issue for Solberri.
2. Some candidates failed to sufficiently prioritise the issue of Richard Berriman's illness and his absence from the Board for the next six months or failed to discuss this issue at all. Others considered this to be a minor issue and felt that appointing an interim Chairman was not necessary. Some candidates failed to recognise that an

appointment must be made as soon as possible to lead Solberri through this difficult time in the coming few months. Another weakness of this area was that many candidates dealt with the short term replacement but failed to discuss the long term implications of Richard's absence and the choices that would need to be made if he did not return.

3. Some candidates failed to prioritise the issue of the faulty elevator and some only dealt with it as an ethical issue. Clearly, the faulty elevator is an ethical dilemma, with the General Manager potentially risking the lives of customers and employees by suggesting that the lift remains open. However there is also a very clear business issue here. It would appear that the General Manager of the hotel is reluctant only because of the impact on revenues in the Peak 2008 season, and it seems that he is under more pressure to achieve financial targets than to consider customer safety as the main priority. However, many candidates only discussed the Health and Safety issues and failed to discuss the reasons why the General Manager was taking this decision to keep the hotel open. A further issue, often missed by candidates, was why the funding to repair the elevator has not been made available to the General Manager of the hotel. This money should have been a priority in terms of capital expenditure funding but had not been provided.

Furthermore, many candidates earned low marks in Application. High marks were often awarded in the criterion of Technical for a wide display of technical knowledge, but unfortunately little was "applied" to the case material, resulting in lower marks in Application. Also many candidates prepared very few relevant calculations, such as the impact of forecast occupancy levels on the usage of rooms or the incremental steps from the low forecasted 60% occupancy to the planned 85% occupancy, as revealed by information in the case relating to the possible closure of the "Superior" hotel with the faulty elevator and the disposal of the 3 "Super plus" hotels.

There is a need for more consideration of the impact of the key issues on the company in the case, rather than repeating theoretical strategies, with little understanding of their relevance to the strategic decision making process. Candidates are reminded that all the analysis given in the appendices should be relevant to the case and should be referred to and discussed in the body of the report. Appendices should not simply be "stand alone" but should be used to analyse the issues in the main body of the report.

4.0 Assessment matrix and areas for improvement

4.1 Overview of the TOPCIMA Assessment matrix

The Examiner was generally pleased with the format of candidates' reports although the discussion was often "thin" and lacked depth of analysis and many of the supporting theoretical frameworks were not referred to in the reports. However, a rather worrying tendency has appeared in this sitting in that a large number of candidates presented their answers in an abbreviated bullet point format. For each of the key issues in Judgement, many candidates used the headings of 'Advantages' and 'Disadvantages' to structure their analysis and then merely presented bullet point lists under each heading. There was often little attempt to evaluate the bullet point issues raised in terms of the relative strengths of the advantages and disadvantages. For example, when evaluating the HTA proposal and the direct mail proposal, many candidates merely presented bullet points lists of advantages and disadvantages for both proposals but failed to evaluate or compare the relative strengths of each proposal.

Candidates and tuition providers need to be aware that this style of answer is not acceptable and unexplained/ unevaluated bullet point lists are rarely worthy of pass marks. This occurred particularly in the Judgement area of the report, where candidates are expected to analyse and evaluate the information they are given in the case. Bulleted lists of advantages and disadvantages, with no attempt to undertake evaluation of the options available is not acceptable. The use of the headings of advantages and disadvantages for each strategic option is perfectly acceptable as long as these are adequately analysed and evaluated.

4.2 Technical

5 marks are available for Technical. Many candidates earned very high marks for a good display of relevant technical knowledge. Indeed many candidates produced at least 4 or 5 relevant theories or analyses, including a SWOT, a PEST analysis, references to Porter, Ansoff, Mendelow etc. as well as calculations relating to occupancy levels, the CRUZ proposal, the “Super plus” hotels proposals and relevant ratios.

There was ample opportunity to earn marks in this criterion for the display of any of the following techniques:

- SWOT analysis
- PEST analysis for the hotel industry operating in holiday resort locations
- The Johnson and Scholes model to structure the answer by using the suitability, acceptability and feasibility framework for the proposals to increase occupancy or the strategic choice for the 3 Super plus hotels
- Porter’s Generic Strategies to demonstrate that Solberri differentiates itself on quality and excellence in service
- Porters five forces to demonstrate that barriers to entry in the industry are relatively high and that customer power is also a major force
- Mendelow’s stakeholder analysis which should analyse the many stakeholders that Solberri has, including its shareholders and critically, its customers.
- Motivational theories such as content theories offered by Herzberg, Maslow and a host of other content and process theories
- Other applied models such as Ansoff’s growth vector matrix, the BCG matrix, value chain analysis and the balanced scorecard
- Quantitative analysis to evaluate the occupancy, Cruz and Super plus proposals
- Relevant ratios

However, many candidates spent too much time preparing detailed appendices that were then not referred to or discussed within the body of the report. The 2 criteria of Technical and Application are together worth 20 marks. Therefore no more than 20% of exam time should be spent on them. It is suggested that with exam planning time and time spent prioritising issues, no more than 30 minutes should be spend on appendices. Exam time would be better spent in preparing a more in depth analysis, which would earn higher marks in Judgement and Logic.

The recommended study text is Elsevier’s TOPCIMA Learning System. It has a whole chapter on techniques that should be revised for use in this exam.

4.3 Application

The Application criterion carries 15 marks and is used to reward candidates for applying technical knowledge (both theories and calculations) to the case material. In order to earn high marks for the SWOT, candidates should have identified the loss of Richard Berriman,

the faulty elevator and low occupancy as a weakness or a threat and the CRUZ proposal and strategic options for the “Super plus” hotels as opportunities.

It is necessary to incorporate all of the new information given in the unseen material in order to earn high marks. A pre-prepared SWOT based on the pre-seen is insufficient. Candidates are also reminded that all of the issues prioritised should be included in the relevant section of the SWOT.

A good range of theoretical knowledge was prepared and applied to the case material and many candidates earned high marks for the theories applied. However, within the available 15 marks, approximately half of the marks were available for applying theoretical knowledge and the other half for relevant and accurate supporting calculations. TOPCIMA is not a “numbers” exam but numerical analysis is often required to provide a platform on which to discuss the issues, form judgements and provide a reasoned recommendation. Therefore it is recommended that candidates do not spend too much time (perhaps 20 minutes maximum) preparing supporting calculations.

Calculations that could have been prepared, to earn marks include:

- Occupancy levels
- Impact of forecast occupancy levels on the usage of rooms
- The incremental steps from 60% to 85% occupancy as revealed by information in the case as a result of the possible closure of the Superior hotel with the elevator problem and the disposal of the 3 Super plus hotels
- Analysis of the CRUZ proposal including its expected operating profit percentage
- Calculation of the discount from standard revenue of the CRUZ proposal
- The number of rooms required over the three years by CRUZ
- The effect of the CRUZ proposal on occupancy
- The possible value of the additional extra sales such as income from spas from CRUZ customers
- The effect on cash flow of the sale of the Super plus hotels
- Relevant ratios for Solberri on gearing and profitability

4.4 Diversity

Diversity carries 5 marks. Many candidates earned high marks for industry awareness and relevant comments on international hotel chains. Most candidates appeared to have some understanding of the hotel and holiday industries and had obviously undertaken research or been taught about the sector prior to the examination.

Unfortunately, the information candidates gave about the real life companies was often not considered when preparing the rest of the report.

4.5 Focus

There are 5 marks available for the Focus criterion. These are awarded for discussing the issues raised in the case. There was the opportunity to earn marks in Focus for the discussion of any of the 6 issues. These included the lower than expected occupancy levels and the three proposals to increase occupancy, the need to replace the Chairman, the faulty elevator issue, the decision on whether to divest the 3 “Super plus” hotels, the employee complaints and the need to keep investors happy. Many candidates focused on the CRUZ proposal as a separate issue from the two marketing campaigns and this was perfectly acceptable.

Most candidates earned the full 5 marks available for their discussion of 5 relevant issues.

4.6 Prioritisation

Prioritisation carries 10 marks. Almost all candidates clearly prioritised 5 issues at the start of their reports, and did attempt to justify the rationale behind their ranking. This resulted in high marks for prioritisation for many candidates.

The most important issues affecting Solberri were considered by the Examiner to be occupancy levels and the absence of Richard Berriman through illness. It is clear that shareholders will be dis-satisfied with poor occupancy and also will need to be reassured that the company is taking appropriate action on strategic and operational issues in the absence of Richard Berriman. The Examiner therefore concluded that these two issues should feature within the top 3 of the prioritisation criterion. In addition, there was an extreme urgency for Solberri to deal with the problems caused by the faulty elevator. This issue therefore needed to be discussed within the answer, either under the Judgement or Ethics criteria or both. Essentially, in order to earn the full 10 marks, it was necessary to identify and place in the top 2, the issues of occupancy levels and the absence of Richard Berriman within the top 3 priorities. The issue of the faulty elevator had to be discussed somewhere within the script.

There continues to be a lack of understanding by some candidates regarding the nature of prioritisation. It is not about urgency but about impact on the company. A minor issue that requires a decision next week is less important than a major strategic issue that will affect the future success or very existence of the company.

4.7 Judgement

This is a very important criterion, which carries 20 marks. Marks are awarded for analysing each of the issues and for discussing a variety of alternative solutions. Candidates who analysed and discussed several of the issues well and showed good commercial judgement on several issues earned pass marks of over 10. However, candidates who demonstrated poor commercial and professional judgement usually earned between 3 to 8 marks.

Therefore it must be stressed that this criterion is an area that unsuccessful candidates need to improve in. Marks are only awarded in Judgement for comments and choices of action that are commercially viable, realistic and sensible. Disappointingly, common sense and general business awareness were often not displayed.

In the March 2008 case, there were 6 issues for which marks were available in Judgement:

1a. Increasing occupancy levels: Evaluation of the two marketing campaigns

The latest forecast for Solberri is that the Peak season 2008 occupancy level could be as low as 60%. Most worryingly for Solberri is the potential impact that this low level of occupancy would have on profits, with a forecast reduction of €16 million revenue from last year thus resulting in post-tax profits of around €1 million for the year ended 30th September 2008. Clearly this must be addressed urgently, if Solberri is to improve the occupancy level before the Peak season 2008 beginning in May (i.e. two months' time). There were two possible marketing proposals that candidates were expected to evaluate. The first proposal is to undertake a carefully focused direct mail campaign to prospective customers, offering the incentive of promotional room rates, at lower prices. However, there are a number of problems with this approach. Most candidates recognised that previous campaigns have not delivered sufficient levels of bookings to attain the required occupancy levels. A direct mail

approach is very high risk with unspecified and un-quantified returns and no guarantee of any significant further impact on booking levels. The alternative marketing proposal is with HTA, a major European travel agent. HTA has proposed that Solberri contribute €10 million towards the cost of a joint advertising campaign, to promote the Mediterranean area in general. However, many candidates incorrectly focused on the profits forecast from this proposal being approximately half of the profits compared to the direct mail proposal and therefore dismissed it on this basis. Many candidates failed to adequately focus upon the risk Solberri faces in NOT going ahead with this proposal in that HTA will go ahead with the advertising campaign with an alternative hotel group in the Mediterranean region. This is likely to impact on future Solberri bookings.

Many candidates did discuss the fact that this is a source from which 60% of current bookings are already secured and that this 60% could be increased significantly if this joint advertising approach proved to be successful. Although the forecast profits are expected to be only half of those from the direct mail proposal, it would appear that this proposal is targeted towards a more secure and well known area for Solberri. Therefore it would seem to be an opportunity that Solberri would be unwise to reject. It also seems to be a far less risky approach than a direct mail campaign. Most candidates failed to recognise that in this case, profitability is not the sole aim; Solberri must focus upon its occupancy level as a top priority and ensure that it chooses the option most likely to achieve improved occupancy levels and not the one that could be most profitable (but is a higher risk).

Candidates were expected to recognise that the joint advertising campaign is more likely to have a long term effect on occupancy levels and is therefore more sustainable, whereas the direct mail proposal will have a very short term impact upon booking levels (i.e. one season only).

1b. Increasing occupancy levels: CRUZ proposal.

The third proposal that Solberri needs to consider, is whether to go ahead with a proposal to accept bookings from CRUZ, an international cruise ship company. The main issue that candidates should have recognised is that the average price that CRUZ is proposing to pay to Solberri for the all inclusive bookings is much lower than Solberri's average price per room. However, had candidates attempted to calculate the profitability of the CRUZ proposal they should have seen that the proposal is still profitable. Moreover it is forecast that additional revenues from other chargeable facilities would be generated, which would increase operating profit by a further €3 million in 2008, rising to €5 million in 2010. However many candidates correctly discussed the issue of tying Solberri into a three-year contract and that the unusual weather patterns in the Mediterranean may be a one-off event. Many candidates correctly discussed that if this happens, then Solberri will have to turn away customers who are willing to pay the normal average price per room in order to fulfil its commitment to CRUZ customers, who will be paying a substantially lower average price per room.

Currently, Solberri is in a position where it requires large volumes of customers to fill the unoccupied rooms. The two direct marketing proposals are unlikely to have a significant impact upon occupancy levels, and Solberri must find a way of increasing its occupancy levels, particularly in the forthcoming Peak season. However, very few candidates focused upon occupancy as the most important business measure for the hotel industry and that Solberri should be looking for ways to increase this as much as possible. Even though CRUZ is proposing to pay Solberri a substantially lower average price per room, the proposal still makes a positive contribution each year and increases occupancy levels. If it decides to accept the CRUZ proposal Solberri should come close to or even achieve the occupancy levels forecast for the Peak season 2008 (assuming it also accepts one of the

direct marketing proposals), which should keep investors happy. The CRUZ proposal also has a positive impact upon profitability in all three years of the contract.

Some candidates correctly identified the possibility of Solberri negotiating an improved room rate with CRUZ. There is room for negotiation to increase the profitability of this proposal for Solberri, yet still maintain a viable discount rate which would keep CRUZ happy.

Few candidates considered the increased spa facility revenues and revenues from other chargeable sports facilities. These were conservatively estimated at €3 million for 2008, rising to €5 million in 2010. Also, few candidates considered that if occupancy levels were to fall to 60% in the Peak season 2008, Solberri's forecast post tax profits for the year ended 30 September 2008 would be only €1 million. Therefore this increased revenue is not an insignificant amount.

Few candidates discussed the likelihood of an increase in repeat bookings from cruise customers. Having visited a Solberri resort hotel whilst on a cruise, some cruise customers may choose to book independently and return to a Solberri hotel at a later date on another holiday. Therefore, Solberri needs to consider the opportunity of marketing its resort hotels to a wider clientele that may not have used a Solberri hotel before but may choose to do so in the future.

Candidates were also expected to consider the likely reaction of other customers, particularly the travel agents, to the very high discount rates offered to CRUZ. Travel agents receive an agreed discount for customers they book into Solberri hotels, but this is significantly less than the discount being offered to CRUZ. If the travel agents were to find out about this discount they may push Solberri to improve their own discount level.

It was expected that candidates would recognise that this would appear to be a highly viable proposal for Solberri. Although the revenue generated is significantly lower than the standard revenue generated, at present Solberri cannot afford to turn away guaranteed customers.

2. Replacement of the Chairman.

It was expected that candidates would recognise that this was a critical time for Solberri, with the imminent problem of low occupancy levels and the other operational decisions that need to be made. Therefore Solberri must immediately put in place a replacement Chairman to oversee these important decisions.

In the short term, candidates were expected to discuss the possibility of an internal appointee who has the experience and knowledge of the industry and of the Solberri group. Candidates could have suggested that in the short term, Johan Alnetti may take temporary responsibility, but clearly that this is not tenable in the medium to long term, due to both Corporate governance principles and as his role as the Chief Executive. Most candidates did adequately discuss this issue. However, few candidates discussed the possibility of appointing one of the Berriman family members, who currently sit as a non-executive directors on the Solberri Board. A Solberri family member is likely to have a keen interest in the welfare of the family business and also knowledge and experience. In addition, he or she may hold other directorships in the travel and leisure industry.

Few candidates adequately discussed the difficult issue of deciding how to manage the situation, if Richard Berriman's absence proved to be more long term. If the situation were to become more serious then the Board would urgently need to consider finding a long term replacement for Richard Berriman. An appropriate timescale of perhaps three months should be allowed, but if it appears that Richard Berriman may not return to his position the

possibility of a permanent replacement need to be discussed. In this case, candidates could have discussed the possibility of offering Johan Alnetti the position and finding a replacement for the Chief Executive, or the Board may wish to consider an external appointment from inside the hotel industry. Many candidates too quickly suggested looking externally for a replacement Chairman, which may not be appropriate should Richard Berriman return in six months time.

3. The Problem at one of Solberri's "Superior" hotels

Candidates were expected to discuss the serious consequences of the structural problems with the elevator. The cliff erosion will continue to get worse and this is likely to lead to a serious fault. Up to this point, Solberri has been very fortunate that a serious incident has not already occurred but it must not ignore the warning given by the engineers. If the faulty elevator led to a serious accident, with customers or staff being killed or seriously injured, the consequences would be dire for the whole of the Solberri group. Most candidates discussed the potential bad publicity, the legal claims and the damages that would need to be paid. These could be so serious that they could result in the possible closure of the whole business.

Most candidates also recognised that the General Manager of this hotel is reluctant to have the elevator repaired immediately only because of the impact on revenues in the Peak 2008 season. Most candidates recognised that the General Manager is under more pressure to achieve financial targets than to consider customer safety as the main priority. Therefore, candidates were expected to advise that if the hotel is to remain open, the elevator must be shut down immediately for Health and Safety reasons. A further issue, which most candidates failed to consider, is why the funding to repair the elevator has not been made available to the General Manager of the hotel. Obviously, this needs to be investigated, but considering the elevator is such a critical feature of this hotel, the money should have been a priority in terms of capital expenditure funding. Few candidates recommended that an investigation needs to be undertaken to investigate why this capital expenditure was not authorised earlier and why this problem was not taken more seriously. Many candidates did consider the impact the elevator problem will have on customers as they will have no access to the private beach. If customers arrive at the hotel unaware of this problem it is likely to lead to a number of complaints and possible compensation claims or refunds. Many candidates correctly suggested that Solberri should inform customers before their arrival and offer them some form of refund in advance or alternative accommodation or transportation to neighbouring beaches. This is likely to retain the goodwill of customers, although it will be costly for Solberri in terms of refunds or transportation. Most candidates recognised the importance of Solberri managing customers very carefully and that they may have to provide some compensation to customers as the alternative hotels are not in their preferred location.

Many candidates suggested making use of the spare capacity in other nearby Solberri resort hotels in the same country. Few candidates, however, recognised that if customers choose to be re-located to other Solberri hotels in the region, this will have the effect of increasing occupancy levels in these hotels.

Most candidates discussed the possibility of completely shutting down the hotel until the elevator has been safely repaired or replaced.

The most drastic and most unrealistic option for Solberri is to not shut down the lift and not tell customers about the problem, and hope that no serious breakdown or fault occurs in the forthcoming Peak season. Most candidates recognised that this is not a viable option as it puts customers' and employees' lives at risk. It would also have serious financial and reputational consequences for Solberri should Health and Safety investigators find out that it did not close the lift after having been advised to do so by its own engineers.

4. Employee Complaints

It is critical that Solberri addresses the employee issues and improves employee satisfaction levels. The Solberri group's reputation is largely based upon levels of customer satisfaction with the quality of service they receive. If employees are unhappy, this will lead to demotivation, which will clearly have a negative impact on the quality of service. Solberri still has a very long way to go to reach their target level of 'excellence' in customer service of 50% in 2010. It is unlikely to achieve this target if it does not address the complaints currently being made by employees.

Candidates were expected to recognise that the motivation of temporary employees is likely to be low largely due to the poor standard of accommodation they are offered. Most candidates recognised that although this is free, it is no excuse that this should be of a very low standard and that it should at least be clean and hygienic. Few candidates recognised that each hotel will have its own in-house cleaning and maintenance teams and that these should be utilised to clean and maintain employee accommodation as and when required. This would have a low marginal cost to each Solberri hotel, yet it is likely to have a high positive impact on employee morale and motivation.

Candidates should also have discussed the need to address the complaints made by short term contract employees regarding the induction training provided. Most candidates suggested that induction training must be improved to provide both general hotel and customer care related information, and that time also needs to be spent on job specific activities. However, few discussed that this may make induction training sessions more difficult and more expensive for Solberri to run. Very few candidates referred to the target for 2010 of 50% of customers rating the customer service levels as 'Excellent' (i.e. only two years from now) and that this means Solberri needs to take steps immediately to re-design training programmes for employees in order to tailor them to the specific requirements of the varying roles of Solberri employees.

Few candidates discussed on the job training. It is inappropriate for the managers of Solberri hotels to expect long term employees to train short term and contract employees, if they are not paid to do so, or if it is not within their area of responsibility. This is clearly adding to the stress of these long term employees and is likely to affect their motivation and stress levels. Very few candidates discussed the possibility of introducing a mentoring scheme or the possibility of bonuses being offered for taking part in mentoring schemes

Candidates should have recognised that Solberri has to weigh up the costs of expenditure on costly training programmes for temporary employees against the benefits of improved motivation and the consequent customer satisfaction. Investing in employees who are only likely to stay with the organisation for one season would appear to be a waste of resources and time. It is the nature of the hotel industry that most employees are transitory. Therefore Solberri has to accept that training is an essential part of its business processes, even if it is costly, as this is likely to have a huge impact on the overall performance of the business.

5. The three "Super plus" hotels

At a recent Board meeting it was agreed that the group should urgently review the performance of the 3 "Super plus" hotels, which are achieving a low ROCE of 4.0% (compared to an overall group ROCE of 8.1%) and a total of only €0.6 million in operating profit for all 3 hotels. However, the 3 hotels are generating a positive level of cash from operations, albeit at a low level. Johan Alnetti has put forward the following three strategic alternatives, which the candidates were expected to evaluate.

The first proposal is to sell to another hotel group. Candidates should have identified that this option is risky for Solberri as it does not reduce the overall industry capacity and increases competition. Therefore candidates were expected to advise that this is unlikely to be suitable. Many customers may go to these particular hotels because they like their location and not just because they are Solberri hotels. Therefore, these customers will be lost and the purchasing hotel group stands to gain the benefits arising from Solberri's reputation in the area.

The second proposal is to sell to a property development company. Most candidates recognised that Solberri would receive €2 million less from selling to JAC rather than to the other hotel group. However, candidates were expected to recognise that even so, this is a more acceptable option, as it reduces industry capacity and also the threat of competition. Therefore it will be acceptable to shareholders. Feasibility will have to be considered, as it will all rest upon whether JAC is able to obtain planning permission from the local authorities to undertake the development work.

The third alternative is to retain the hotels in the Solberri group. Candidates were expected to discuss that retaining these three "Super plus" hotels in the group without undertaking very costly refurbishment programmes, would detract from the high class image of the Solberri brand. Most candidates recognised that Solberri cannot retain these three hotels in the group as they are, and therefore must decide whether it is worth keeping them when they have to spend large sums of money to refurbish them. Thus, candidates should have recognised that this alternative is unlikely to be suitable, acceptable or feasible.

A fourth alternative that could have been discussed was to retain the hotels but re-brand them under a different name. However, this would seem to be an unlikely option for Solberri as re-naming the hotels would be a costly exercise, from which there would be little added value or increased revenue.

Many candidates did recognise that the most realistic option would be to sell the three hotels to the property developer JAC. Although this option does not provide the highest returns for Solberri, it reduces capacity and also potential competitive rivalry in the industry. However, few candidates discussed the need to take into account the wishes of the absent Chairman, while appreciating that Solberri must also make a decision which is appropriate for the long term future of the group and which maximises shareholder returns.

Very few candidates considered how the money generated from the sale of these 3 hotels would be invested to maximise shareholder returns, as there are a number of options available. Candidates were expected to identify that Solberri could return some or part of the money to investors as a dividend or they could buy additional hotels which would fit more strategically within the Solberri group. Alternatively they could use the money to re-invest in spa facilities and the upgrading of accommodation.

6. Keeping investors satisfied

This issue was ignored by most candidates. In order to stop a shareholder revolt, Solberri must keep investors informed of the actions being taken to improve occupancy levels and profits. The investors will be closely monitoring the performance of Solberri and will be keen to see the progress being made towards achieving the profitability targets for both 2008 and the 5 year plan. If they are aware that occupancy levels are predicted to be lower than forecast they will want reassurance from the Board that action is being taken to increase occupancy levels and meet the agreed profitability targets.

4.8 Integration

This criterion rewards candidates for their ability to write a cohesive, comprehensive report that “flows” well and reaches well justified recommendations on each of the issues discussed. This criterion rewards a report which is realistic in that it contains commercially viable comments that would help advise the Board of Directors of Solberri. On the other hand, if a company, in receipt of a report of this standard, would be dissatisfied due to a lack of sensible recommendations, then low marks are awarded.

A report that contained recommendations which the Examiner considered could cause the company problems was awarded low (fail) marks in this criterion. The recommendation that Solberri should reject the CRUZ proposal was considered to be not in Solberri’s best interests (as this proposal was both profitable and guaranteed increased occupancy in the next three years) and therefore low marks were awarded for candidates who recommended rejecting it. Similarly, if candidates had recommended retaining the “Super plus” hotels or that Solberri should sell them to the other hotel group, then again, low marks were awarded. However, if other issues in the case were well discussed and culminated in commercially sensible recommendations, the candidate could pass overall. Therefore rejecting the CRUZ proposal or recommending retaining or selling the “Super plus” hotels to another hotel group resulted in low marks in Integration and Logic but would not necessarily directly result in the candidate failing.

4.9 Logic

The criterion of Logic carries 20 marks in the assessment matrix and rewards clear, justified, well argued recommendations. It was a criterion in which fail candidates earned low marks.

It is recommended that candidates allocate at least 40 minutes of their examination time to preparing detailed and justified recommendations. Some candidates apparently did not manage their time adequately and prepared rushed recommendations. This is one of the most important areas of the report and will often determine a pass or a fail when the script is marginal, so it is important to ensure that recommendations are clear and the rationale for the recommended course of action is given.

It is of paramount importance that the report makes appropriate recommendations and does not leave any of the issues undecided. It is for the consultant (i.e. the candidate) to present all the arguments for and against and to weigh them up in order to make recommendations. There are few right or wrong answers with TOPCIMA – it is the depth of discussion and the strength of the candidates’ arguments and the justification behind the recommendations that earns marks. Ill-thought through analysis and poor recommendations are not rewarded.

A summary of the recommended actions for the issues in this case are as follows:

- 1 Increase occupancy levels - with regard to the marketing alternatives, it was recommended that spending an additional €10 million on a direct mail campaign with no certainty of future bookings is too risky and should not be undertaken. This has already been tried in the current financial year, with no success and there is no evidence to suggest that this particular campaign will achieve the results required. The joint advertising proposal with HTA would appear to be less risky, but will generate half of the profits predicted for the direct mail proposal. However, the risk here is that if Solberri does not do this then HTA will proceed with the campaign, promoting one of Solberri’s competitors, which could lower Solberri bookings even further. Therefore, it is recommended that this proposal be accepted because not accepting would be too much of a risk for Solberri.

- 2 Increase occupancy levels – the CRUZ proposal should definitely be accepted. However it is also recommended that Solberri should attempt to negotiate a higher revenue by reducing the current proposed discount rate of 62%. In addition, CRUZ customers are expected to generate an additional €1 million per year operating profit from the use of spa facilities. Furthermore, if CRUZ customers like the Solberri resort hotels they visit, they may return in the future (at full revenue rates). Therefore, a relationship with CRUZ could result in future higher occupancy as a result of exposure to a different type of customer.
- 3 Appointment of a Chairman – it is recommended that in Richard Berriman’s absence, Solberri must appoint a strong and dynamic Chairman to take over in the short term. It is recommended that either one of the non-executive directors should take over—perhaps one of the Berriman family members. However, if the situation looks more serious and the illness is likely to be longer term, then Solberri must seriously consider a more permanent replacement, which is likely to be an external appointee. The situation should be reassessed in three months’ time and discussed with Richard Berriman.
- 4 Problem at one of Solberri’s “Superior” hotels – it is recommended that the faulty elevator must be shut down immediately on Health & Safety grounds. The most appropriate recommendation is to close the hotel for the Peak season of 2008 and to re-locate those customers who are happy to be moved to a nearby resort and pay a full refund to those customers who do not want to be re-located. However, these customers should be refunded and offered a discounted holiday when the hotel is operational again. Moving customers and completely shutting the resort would save on staff costs and fill empty rooms at other Solberri hotels. In addition, it is recommended that a review of the capital funding procedure also needs to take place including a review of the policies regarding capital expenditure funding and the prioritisation of projects.
- 5 Employee complaints – it is recommended that Nik Silva and Suzanne De Loore work together to improve and tailor induction training programmes to the appropriate area. An urgent review of staff accommodation must take place immediately to ensure that rooms are adequately cleaned and maintained as part of a routine maintenance programme. It is also recommended longer term employees be rewarded for providing mentoring and on the job training. Performance related bonuses could also be considered.
- 6 Strategic choice for “Super plus” hotels - it is recommended that the three hotels are sold to JAC in order to reduce competition in the area. However, Solberri must ensure that JAC have the necessary planning permission to develop residential property and the sale agreement must include a clause which precludes JAC from selling the land on at a later date to a hotel developer.
- 7 Keeping shareholders satisfied – it is recommended that the Solberri Board report back immediately to the investors informing them of the actions being taken above. This will demonstrate to it’s investors that the Board are taking positive actions to increase occupancy levels and increase profits.

As a reminder, it is generally better for all recommendations to appear together at the end of the report, rather than at the end of the section concerning each issue, as actions impact on each other. Recommendations must be realistic and be consistent with related issues as in real life many decisions are inter-related.

4.10 Ethics

Most candidates attempted to address 2 or 3 ethical issues and earned pass marks. In order to earn a pass mark, it is necessary to identify the ethical issues, justify why that issue is considered to be an ethical issue and to advise on how to resolve several of the ethical dilemmas identified. The full 10 marks are awarded for good discussion and advice concerning two or more ethical dilemmas. A common problem is that many candidates discuss a number of ethical issues but do not justify why the issue is an ethical dilemma. Candidates also fail to give clear, fully justified advice on how the ethical issue could be addressed and the cost implications for the company.

A maximum of 4 marks, i.e. marginal fail, was awarded for the discussion of ethical issues alone. It is the advice and recommendations on how the ethical issues could be overcome that earns up to the maximum of 10 marks.

There were a range of ethical issues in this case including:

- The faulty elevator at one of the “Superior” hotels. Solberri has a duty of care to customers and employees to ensure that safety is the topmost priority.
- Bookings made by Non-executive directors. It is unethical not to pay for rooms and facilities merely because they are directors of the business, as they have a responsibility to act on behalf of the company as a whole, including the shareholders. This situation is also costing the Solberri group in revenues.
- Employee complaints regarding poor accommodation, lack of adequate job related training and the issues of de-motivation amongst employees must all be addressed. Solberri has a duty of care to employees and must fulfil its obligations as an employer.
- Green issues and corporate social responsibility. Solberri has a CSR policy to improve their corporate social and environmental activities.

Generally the advice given on ethical issues was weak and earned low marks. For example, many candidates correctly identified the Non-executive directors not paying for room and facilities as unethical but offered weak advice such as immediately withdrawing their directorship whilst failing to recommend that policies and practices must be put in place to ensure that abuse cannot happen in the future.

Many candidates treated the faulty elevator at the “Superior” hotel only as an ethical issue. However, as in the real world, this problem is a business issue as well. Candidates earned marks in Judgement as well as Ethics if both aspects of this problem were addressed.

5.0 Recommendations to improve your chance of passing TOPCIMA in the future

Candidates are referred to the TOPCIMA Learning System, (www.cimapublishing.com) which is the recommended reading text for this exam. This CIMA Learning System takes candidates through past TOPCIMA cases and demonstrates how to analyse the pre-seen and also what to do on the exam day with the unseen material and how to prepare answers. It also contains a chapter on Technical issues, including revision of a range of business and financial techniques that candidates should understand and incorporate in their answers. This CIMA Learning System also contains past TOPCIMA cases and the case writer's answers.

Candidates sitting TOPCIMA for the first time are referred to previous Post Exam Guidance reports or the general TOPCIMA guidance notes (on the CIMA website) for advice on the suggested report format.

It is recommended that all candidates should read the financial pages of a good newspaper at least once a week, in order to gain an appreciation of the business world that this CIMA exam is set in. This will enable you to gain a far greater understanding of how companies operate and hopefully will reduce the number of non-sensible comments appearing in reports.

In summary, the eight key tasks that will put you in a better position to pass TOPCIMA are:

1. Work (not simply read) through at least 2 TOPCIMA past cases (on www.cimaglobal.com)
2. Read thoroughly 2 past TOPCIMA Post Exam Guidance reports (on www.cimaglobal.com)
3. Research the business setting for the case thoroughly and totally familiarise yourself with the pre-seen material (read newspapers, research using the Internet, use Internet search engines such as Google to identify companies in the industry etc.)
4. Revise business strategies and suitable techniques and be able to apply them to the case material.
5. Practice writing answers to previous TOPCIMA cases in a 3 hour session and see how comprehensive an answer you can produce. Check your answer to the case writer's answer (in the CIMA Learning System or available from www.cimapublishing.com)
6. Read the two articles on the CIMA website (www.cimaglobal.com) about the case you are planning to sit. CIMA commissions independent writers to analyse the pre-seen material and these articles give a good insight into the industry setting and the problems and opportunities the company is facing. The articles for the March and May 2008 exams on Solberri are "Solberri Hotel Case" by Adrian Sims of BPP and "Check out of Heartbreak Hotel" by Shuaib Masters of Kaplan Financial.
7. Ensure that the report clearly prioritises the top 5 key issues raised in the unseen material and consider carefully whether the priorities are in an appropriate order given the circumstances of the case. The order in which issues are placed must be justified.
8. Ensure that your answer covers all nine assessment criteria

Remember – do your research and prepare for the exam – but on the day, ensure that you write a thorough, well reasoned answer that covers the relevant key issues raised in the unseen material and ensure that your answer covers all aspects of the requirement and in particular, gives clear well justified recommendations.

The examiner cannot stress enough the importance of practicing writing an answer using past TOPCIMA cases. There is no way to prepare for the TOPCIMA exam without investing in hours of work using past TOPCIMA papers. Remember it is good preparation that will help you to pass this final test of professional competence.

The skills you learn from preparing for your TOPCIMA examination are the same skills that you will use in the real world when you are a qualified CIMA accountant – so learn them now as you will use them in your future career.