

Strategic Professional – Essentials Examination

# Strategic Business Leader

Specimen 2 Examination  
Valid from September 2018 Exam Session



**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.**

Think Ahead

**ACCA**

The Association of  
Chartered Certified  
Accountants

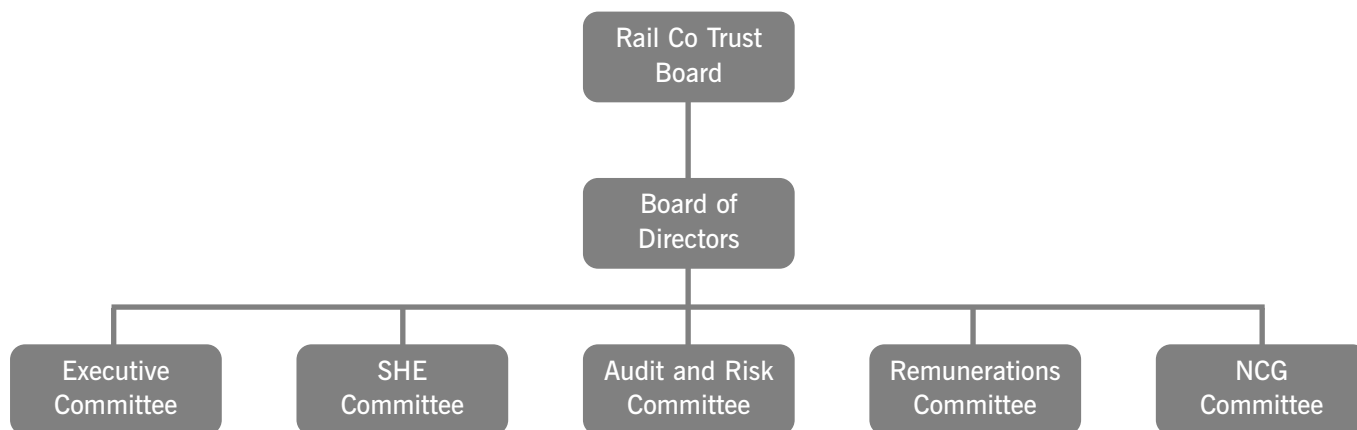
# Strategic Business Leader

## Introduction

Rail Co is a public sector rail company responsible for delivering passenger rail services within Beeland.

Rail Co is governed by a supreme governing committee known as the Rail Co Trust Board. This board is responsible to the Ministry of Transport for ensuring that the Rail Co board of directors make the best use of public money and maintain effective and efficient services to the public. Figure 1 below shows the governance structure of Rail Co.

Figure 1



The National Audit Authority (NAA) of Beeland is a national government audit authority with responsibility for evaluating and reporting to the government of Beeland on public spending, suggesting improvements to and benchmarking against the performance of a wide range of publicly funded organisations. The NAA also has a responsibility to advise on the value for money (VFM) obtained from publicly owned enterprises and on the performance of the boards of such organisations, including the senior executives of these boards.

Rail Co has in the recent past received negative publicity in the media and from a variety of other sources relating to its poor services and performance. This has prompted the Minister for Transport of Beeland, to commission the NAA to undertake an urgent investigation of the issues facing Rail Co.

The following exhibits (1–6) provide information relevant to Rail Co.

- Exhibit 1: Website page for Rail Co leadership and governance.
- Exhibit 2: Transport report published in the Beeland Herald newspaper.
- Exhibit 3: Passenger survey results and performance analysis spreadsheet for Rail Co and its competitors (three years data).
- Exhibit 4: Rail Co board meeting minutes.
- Exhibit 5: Outline person specification and summary CVs for two candidates for the new chief executive position
- Exhibit 6: Ticket sales, passenger usage data and fraud analysis at stations in towns within Region 1 – Beeland network – prepared by the financial controller of Rail Co.

The case requirements are as follows and you will be told which role you are taking in each task:

1 *You are a non-executive member and chairman of the nominations and corporate governance (NCG) committee.*

The recently appointed chairman of the Rail Co Trust Board has requested that you provide him with information relating to the governance of Rail Co and the roles and responsibilities of the non-executive directors.

**Required:**

**You have been asked to prepare a briefing paper for the Rail Co Trust Board which:**

**(a) Identifies and explains the agency relationship of the parties involved in Rail Co and discusses the rights and responsibilities of those parties.** (8 marks)

Professional skills marks are available for demonstrating *communication* skills in clarifying the agency relationships involved in Rail Co. (2 marks)

**(b) Assesses the role and value of non-executive directors on the board of Rail Co, as a public sector company.** (6 marks)

Professional skills marks are available for demonstrating *evaluation* skills in assessing the role and value of non-executive directors in a public sector environment. (2 marks)

**(18 marks)**

2 *You are an assistant auditor reporting to Alex Reed, the senior audit officer of the NAA.*

Alex leads a team of assistant auditors and audit analysts and will be responsible for reporting the findings of the NAA's investigations of Rail Co to a number of relevant parties, including the Minister of Transport, the board of directors of Rail Co and the Rail Co Trust Board. As part of the investigation commissioned by the Minister of Transport to be undertaken by the NAA, one of the audit analysts working on your audit team has prepared a spreadsheet supplying a variety of data following the recent passenger survey results and using other relevant performance related information.

**Required:**

**Alex Reed has asked you to prepare a report for the Rail Co Trust Board which:**

**(a) Evaluates the implications of the findings of the passenger survey results and reviews the actual and relative performance of Rail Co over the last three years.** (12 marks)

Professional skills marks are available for demonstrating *analysis* skills used in reviewing the information presented in the spreadsheet. (2 marks)

A few days later Alex Reed called you into his office to discuss Rail Co's governance and internal controls. During that meeting he referred to the transport report in the Beeland Herald newspaper (Exhibit 2) and handed you a copy of the minutes of the latest board meeting held by Rail Co (Exhibit 4).

**Required:**

**Alex has asked you to draft a letter to be sent to the chairman of the Rail Co Trust Board which:**

**(b) Reviews the effectiveness of the internal controls at Rail Co using evidence from the minutes of the latest Rail Co board meeting and any other suitable source and justifies that the chief executive of Rail Co is failing in his fiduciary duties to the trustees of Rail Co.** (8 marks)

Professional skills marks are available for demonstrating *scepticism* skills in questioning the opinions and assertions made by the chief executive at the recent board meeting. (2 marks)

**(24 marks)**

It is now two months after the letter was sent by the NAA to the chairperson of the Trust Board (Task 2b).

**3** *You are the non-executive chairperson of an ad hoc sub-committee constituted by the NCG of the Rail Co board.*

As a consequence of the NAA review and the recommendations of the Rail Co Trust Board, the Minister of Transport recommended that the chief executive of Rail Co should be removed from his position. Following the termination of the chief executive's contract, the position has now been advertised both nationally and internationally and a person specification has been uploaded to the Rail Co website. In the last two weeks, two candidates have been shortlisted for final interview and a summary of their CVs is being reviewed by the nominations and corporate governance (NCG) committee of Rail Co (Exhibit 5).

**Required:**

**Following a review of the suitability of the shortlisted candidates against the outline person specification, you have been asked by the chair of the NCG to do the following:**

**(a) Write a report to the chair of the NCG which evaluates the suitability of the shortlisted candidates for the position of chief executive of Rail Co and recommend with justification, which candidate you consider to be the most suitable for the position.** (8 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in using your judgement to evaluate the relative merits of the two candidates. (2 marks)

**(b) Prepare two presentation slides, with accompanying notes, to explain to the NCG, the contribution which the chief executive should be expected to make in terms of talent management, to support the necessary change programme required at Rail Co.** (6 marks)

Professional skills marks are available for demonstrating *communication* skills in conveying relevant information in an appropriate tone to the NCG committee. (2 marks)

**(18 marks)**

It is now three months later. A new chief executive has been appointed and is working closely with the board of directors and the Rail Co Trust Board to improve performance.

**4** *You are an internal auditor working for the audit and risk committee of Rail Co.*

The new chief executive asked the financial controller of Rail Co to produce a spreadsheet which analyses the ticket sales and rail usage by station within the Beeland rail network and which also analyses the estimated the levels of fraud occurring across the Rail Co network.

**Required:**

**You have been asked by the chair of the audit and risk committee to review the findings of the financial controller and present a report which requires you to do the following:**

**(a) Analyse the information presented in the spreadsheet produced by the financial controller, questioning any assumptions he may have made, and explain the implications of the findings for Rail Co.** (8 marks)

Professional skills marks are available for demonstrating *scepticism* skills in considering the information presented in the spreadsheet and reflecting on the impact on Rail Co's revenues. (2 marks)

**(b) Recommend to the audit and risk committee, with justifications, suitable measures or safeguards which could be implemented by Rail Co to reduce the levels of fraud occurring on the network.** (8 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in making sound recommendations for suitable measures and safeguards to reduce fraud. (2 marks)

**(20 marks)**

5 You are a project manager working for the director of Projects and Infrastructure of Rail Co.

The director of Projects and Infrastructure is putting forward a proposal to the board of directors of Rail Co for a project to invest in an online ticket sales system. The project should be fully operational within 12 months but would need to be undertaken by an external firm of developers, as Rail Co does not possess the internal expertise. However, Rail Co would manage the project.

**Required:**

**You have been asked by the director of Projects and Infrastructure to write a business case to the board, in which you will:**

**(a) Justify why the investment in online ticket sales could assist Rail Co in producing detailed and timely customer data to assist in customer relationship management.** (8 marks)

Professional skills marks are available for demonstrating *evaluation* skills in assessing the impact of online ticket sales on customer relationship management. (2 marks)

**(b) Produce a project initiation document (PID) which could be used by Rail Co to assist in planning the implementation of an online ticket sales system.** (8 marks)

Professional skills marks are available for demonstrating *communication* skills in producing a PID to be used by Rail Co. (2 marks)

**(20 marks)**

## *Rail Co 'Getting you there, on time, in comfort'*



*Our mission is to provide a high quality, efficient and cost-effective rail service to all our passengers.*

*Our vision is to become the world leader in providing reliable, profitable and safe train passenger services in a climate which embraces new technology and diversity of ideas.*

### **Our board**

The Rail Co board is responsible for the strategic direction of Rail Co. It is responsible for supervising the operational activities of the business and providing leadership and strategic direction.

Our Chief Executive reports directly to the Minister for Transport on our leadership and long-term performance and success. The board comprises:

- Henrik Kilde, non-executive chair – Appointed to the board in 2011
- John Rose, Chief Executive – Appointed to the board in 2002
- Helga Baum, Finance Director – Appointed to the board in 2006
- Milo Strauss, Director of Projects & Infrastructure – Appointed to the board in 2012
- Filip Axis, non-executive director – Appointed to the board in 2009
- Felix Erikson, non-executive director – Appointed to the board in 2014
- Harvey Flood, non-executive director – Appointed to the board in 2015
- Salma Khan, non-executive director – Appointed to the board in 2010
- Kim Lun, non-executive director – Appointed to the board in 2012
- Anders Rosburg, non-executive director – Appointed to the board in 2016

### **Our executive committee**

Operational management is delegated to members of our executive committee. The executive committee is chaired by the Chief Executive and comprises the Finance Director, the Director of Projects and Infrastructure and five other executive managers:

- Lara Cook, Passenger services director – Appointed in 2004
- Jasper Edberg, Asset management director – Appointed in 2007
- George Fill, Director of Safety and Engineering – Appointed in 2013
- Tomas Kline, Director of IT – Appointed in 2012
- Brenda Suter, HR Director – Appointed in 2006

### **Our board committees**

Our four board committees, made up of non-executive directors, assist the board with its responsibilities.

#### ***Safety, health and environment (SHE) committee***

This committee monitors the integrity of the methods used to carry out SHE responsibilities. The committee evaluates whether policies and strategies are adequate and effective taking into account relevant legislation and standards.

#### ***Audit and risk committee***

This committee monitors the integrity of the financial reporting and the audit process and reviews the internal control systems including risk management, regulation and compliance.

### ***Remuneration committee***

This committee is empowered under the articles of association of Rail Co to determine remuneration for directors. This responsibility reflects the business aim to provide independence of the decision-making process for remuneration and incentive schemes.

### ***Nomination and corporate governance (NCG) committee***

This committee reviews the size, structure and composition of the board and committees. The committee identifies and nominates candidates for appointment to the board and ensures that appropriate succession planning is in place.

## **Rail Co Trust Board**

The Rail Co Trust Board is an independent statutory body, with powers vested by the Government of Beeland in its members. The Trust Board consists of ten members, all of whom are appointed by the Minister for Transport, for a fixed term of up to three years. Our board is accountable to the Rail Co Trust Board.

The Trust Board is our supreme governing body which holds us to account for delivering what we promise. It sets us a range of performance targets each year and holds the board to account for its effective and efficient use of the funds allocated to Rail Co by Government and by the fare paying passengers. The board is also accountable to the Rail Co Trust Board for our health and safety performance.

Our Chief Executive is personally accountable to the Government for Rail Co's stewardship of the public funding it receives.

# TRANSPORT REPORT

The Beeland Herald  
Beeland's most widely read  
Daily newspaper

*Gus Smidt, Transport Editor reports on the recently published customer survey results of Rail Co*

## Is Rail Co going off the rails?



The latest annual customer survey results for Rail Co will not make comfortable reading for its Chief Executive John Rose, who predicted this time last year 'the future is bright for Rail Co'.

Rail Co, the company responsible for the transport of over 50% of Beeland's commuters to their daily work destinations throughout the country, appears to be losing the support of its loyal customers. This is despite an increasing population in Beeland and significant levels of government investment in its development. Although it has invested in new trains over the last five years, commuter trains are still overcrowded. Significantly, it has failed to invest in online ticket purchasing systems and commuters are increasingly unhappy that they are only able to purchase tickets from manned ticket offices within each station. Public perception of the organisation is at an all-time low and questions will now be asked by the Minister for Transport as to why revenue growth is stagnant and why customers are increasingly unhappy with its services.

Rail Co receives an annual grant from the government of Beeland, funded by general taxation of the population, to run the business efficiently and effectively. The government also sets Rail Co a number of performance targets to meet each year. These include key performance indicators on revenue growth, cost efficiency and customer satisfaction ratings.

Despite evidence of a growth in passenger numbers (platform 'footfall') of about 15% using the railway network in the last three years, revenue has hardly increased over the same period.

In its last two annual reports, Rail Co's directors have highlighted the risk of significant numbers of passengers travelling without tickets. It has been suggested that this could be due to the fact that Rail Co does not operate ticket barriers at many of its stations. Rail Co relies on ticket inspectors operating on train services to check tickets, but evidence suggests that this can only catch a minority of those who evade paying for tickets.

As a consequence of static sales, Rail Co has repeatedly increased its ticket prices by more than inflation in the last three years and customers have complained bitterly and many are threatening to use their cars or other forms of public transport if Rail Co does not respond effectively.

A further concern for Rail Co will be that staff turnover is at an all-time high as stated in its latest annual report, which may be due to the fact that staff wages at Rail Co have not been rising with inflation and staff are coming under increased pressure from unhappy customers.

These are, indeed, worrying developments for Rail Co, as its key stakeholders seemingly become increasingly frustrated with the lack of any meaningful response by the Chief Executive, who yesterday refused to comment on the customer survey.

However, in a statement made by the Minister of Transport yesterday, he commented that although the customer survey results for Rail Co were 'disappointing', he was confident that the situation would be addressed within the coming year. He announced that the newly appointed Chairperson of the Trust Board, the supreme governing committee responsible for the performance and governance of Rail Co, 'has the full backing of the government of Beeland to undertake a thorough and effective review, and if necessary make changes to the management and organisation of Rail Co'.



### Exhibit 3

Extract from Beeland's passenger survey results for the last three years										
	Percentage satisfied			Trust Board Target for 2016						
	2016	2015	2014	Target growth on 2015						
Overall satisfaction with your journey	87	90	92	↗	+3%					
Satisfaction with ticket buying facilities	60	64	65	↗	+2%					
Availability of staff	62	65	70	↗	+5%					
Helpfulness/attitude of staff	75	73	77	↗	+2%					
Punctuality/reliability of service	84	81	86	↗	+5%					
Value for money for price of the ticket	50	56	57	↗	+2%					
<b>Examples of customer feedback comments:</b>										
<i>The price of the regular ticket I buy to commute to work has increased by nearly 10% since last year. I really cannot understand why, as I do not seem to be getting more for my money</i>										
<i>Why is it that when I travel on business to Ayeland, I can book my train tickets online, yet, here in Beeland I can only buy a ticket at the station? This is very frustrating and occasionally, I use my car to get to work as it is more convenient than queuing for up to half an hour to buy a train ticket.</i>										
<i>I have been a loyal customer of Rail Co for over 30 years, but I am becoming increasingly frustrated with the number of passengers who I see that are clearly boarding the train without a ticket. I pay B\$45 for each ticket I buy, yet some people are travelling for free. Where are the ticket inspectors?</i>										
<b>Competitor Performance Analysis</b>										
	ANR			Rail Co			Ceeland Rail			
	2016	2015	2014	2016	2015	2014	2016	2015	2014	
Revenues (B\$m)	4,420	4,212	3,990	4,100	3,998	3,880	6,890	6,687	6,650	
Operating costs (B\$m)	3,026	3,138	3,200	3,038	2,743	2,551	4,868	4,786	4,857	
Km travelled (millions)	890	897	889	779	762	750	1,803	1,709	1,619	
Percentage of trains on time	↗ 90%	↗ 85%	↗ 85%	↗ 82%	↗ 84%	↗ 87%	↗ 94%	↗ 92%	↗ 92%	
Staff turnover percentage	↗ 14%	↗ 12%	↗ 15%	↗ 17%	↗ 14%	↗ 13%	↗ 8%	↗ 8%	↗ 9%	
Average price per ticket (B\$)	43	41	41	58	56	56	40	42	43	
Average number of employees	32,890	32,788	31,987	27,455	27,190	27,365	56,367	55,798	55,105	
Overall customer satisfaction	↗ 90%	↗ 88%	↗ 91%	↗ 87%	↗ 90%	↗ 92%	↗ 97%	↗ 94%	↗ 94%	
Lost time injuries to staff (days)	355	361	358	481	466	459	211	232	266	
<b>Notes:</b>										
1. ANR is the state owned rail company which operates passenger services in Ayeland, a neighbouring country of Beeland. Ayeland has a population of similar size to Beeland. ANR invested in online ticket booking facilities in 2015.										
2. Ceeland Rail is a state owned rail company which operates passenger train services in Ceeland. Ceeland is not a neighbouring country of Beeland but operates on the same continent. Ceeland has a larger population than Beeland but a smaller percentage of Ceeland's commuters use the rail system to travel, due to higher concentration of the population within Ceeland's towns and cities. Ceeland invested in an online ticket booking system in 2010 and over 70% of train tickets for Cee Rail are purchased online.										

## Rail Co Board Meeting Minutes

XX/XXXX/2016

**Board Members:**

*Present:* Henrik Kilde, John Rose, Helga Baum, Milo Strauss, Filip Axis, Felix Erikson, Salma Khan, Kim Lun, Anders Rosburg, Tomas Kline, Director of IT

*Apologies:* None

*Absent:* Harvey Flood

**Proceedings:**

- *Meeting called to order at 2:00pm by Chairman, Henrik Kilde*

*Chairman's opening statement*

Henrik Kilde opened the meeting with the announcement that he had been informed by the newly appointed Chairman of the Rail Co Trust Board that it had requested the National Audit Authority (NAA) to undertake a review of the operations and performance of Rail Co. He expressed his concern with this development but that the Board was expected to give its full cooperation to this investigation.

John Rose, the Chief Executive, offered his full endorsement of the Chairman's comments on supporting the NAA's investigations of Rail Co's performance. He noted that in his 14 years as Chief Executive, he has witnessed many changes and that he was confident in the current performance of Rail Co and that the NAA would not identify any problems with Rail Co.

*Chief Executive's Report on customer survey results*

The Chairman opened the discussion with a statement of his disappointment with the latest customer survey results and asked the Chief Executive to present an overview of the key outcomes of the latest customer survey results. The primary focus of the presentation was that Rail Co had failed to meet a number of the key performance measures set by the Trust Board for 2016. The Chief Executive did highlight that although the overall customer satisfaction target was not met, this was still at a very high level at 87%. He commented that when he took over as Chief Executive in 2002 customer satisfaction levels were at less than 65% and to have achieved such high levels of customer satisfaction is a significant achievement for Rail Co. He also highlighted that levels of punctuality had increased in the last year and this was evidence that Rail Co's investment in new trains had ensured a better service for its passengers. Rail Co's motto of 'getting you there on time, in comfort' was clearly being achieved. He stated that he believed that the target growth for punctuality set by the Trust Board for 2016 was unachievable and therefore should be ignored.

The Chairman raised his concern that customers' perception of the value for money of Rail Co's tickets had declined from last year and asked the Board to consider whether this was a reflection of increasing ticket prices. The Finance Director agreed that this was a significant concern but the Chief Executive stated that he strongly believed that the majority of customers did not understand the concept of value for money and therefore this measure was flawed.

*Audit and Risk Committee Report provided by Chair, Filip Axis:*

Filip Axis presented a briefing to the Board on the risks of customer fraud. He noted that this has been an ongoing concern for the last few years but has not been investigated in detail. Evidence suggested that more passengers are travelling on Rail Co's network without tickets and a key factor is that approximately 40% of Rail Co's stations do not operate ticket barriers. Mr Axis referred to a recent meeting he had held with Jasper Edberg, the Asset Management Director, in which they had discussed the installation of ticket barriers at more of Rail Co's stations to prevent customer fraud. The Finance Director was asked to present an analysis of the impact of potential fraud on Rail Co's revenues at the next Board meeting. The Chief Executive disagreed that this was a significant risk to Rail Co and that the cost of installation of ticket barriers would far outweigh the benefits. He also stated that most customer fraud was unpreventable and that this measure would merely create more customer dissatisfaction.

*SHE Committee's Report provided by Chair, Kim Lun:*

Kim Lun outlined the key issues discussed at a meeting she recently attended with Beeland's Health and Safety Office (BHSO). She reported that the Head of the BHSO had expressed his concern with the increase in the number of

injuries to staff reported by Rail Co in the last year. Kim Lun stated that she had assured the BHSO that a thorough investigation would be undertaken and that this needed to be commenced immediately. Kim Lun also noted that there had been a lack of investment in the training of staff in the last three years and that this was affecting staff morale and should be investigated by the HR Director.

The Chief Executive stated that although the HR Director was not a board member, his own opinion was that training levels were satisfactory and that there was no evidence to suggest that staff morale was low. He pointed to evidence in the customer survey report which indicated an annual growth in customer satisfaction levels in relation to staff helpfulness and attitude.

– *Other business:*

1. The IT Director made a short presentation on the use of online booking systems by other rail businesses. The presentation outlined that a number of other national train operators offered online booking facilities and evidence suggested that this had positively impacted upon revenue growth and customer satisfaction in all of these businesses. Most of the Board expressed enthusiastic interest in this potential development.

The Chief Executive expressed his concern that investment in online booking facilities was merely a knee-jerk reaction to the current challenges to Rail Co. He suggested that improvements to training of ticket office staff would be a better investment opportunity and far less costly to Rail Co. He commented that online ticket facilities went against the traditional values of customer service focus of Rail Co.

2. The Chairman informed the Board that the HR Director was currently in a meeting with the Head of the Beeland Rail Workers Union (BRWU) to discuss its recent demands for an above inflation rate pay increase for its workers. The Chairman expressed concern at this development, as any threat of strike action could have serious damaging consequences on the public perception of Rail Co.

The Chief Executive stated that it was important for Rail Co to take a firm stand against any pressure from the unions for an increase in staff pay. He commented that the unions were merely taking advantage of the latest survey results to put the Board under pressure to increase levels of pay for its members. He stated that he had instructed the HR Director not to make any comment to the media on these developments. His opinion was that the media were responsible for stirring up the interest of the unions and that the media were not an important stakeholder.

- Meeting adjourned at 4:30pm.
- Minutes submitted by Secretary, Joanna Vonn.

## Exhibit 5

### Chief Executive – Rail Co Outline person specification

#### Experience

1. Consistent achievement at chief executive level in an organisation of comparable size and complexity.
2. A proven track record of leading and delivery of corporate vision, strategies and objectives within a complex political environment.
3. A proven track record of successfully designing, leading and implementing cultural change.
4. Experience of building professional credibility with boards, employees, the public and the media.

#### Knowledge, skills and abilities

1. A comprehensive understanding of the rail industry and the political context within which it operates.
2. Well-developed leadership skills which promote a positive and motivated organisational culture.
3. An ability to develop relationships with all stakeholders which command respect, trust and confidence.
5. Financial and commercial awareness, with strong analytical and problem solving skills.

#### Personal qualities

1. An ability to deliver under pressure.
2. Values the contributions of others and committed to employee development.
3. A strong commitment to service excellence and continuous improvement.
4. Results focused and performance driven.
5. Leads from the front, an honest and straightforward style which gains the respect of others.

Summarised CV – Candidate A	Summarised CV – Candidate B
<p><b>PROFESSIONAL EXPERIENCE</b></p>	<p><b>PROFESSIONAL EXPERIENCE</b></p>
<ul style="list-style-type: none"> <li>– Chief executive of JPS Express, the largest passenger train service operating company in Jayland. 2009–present</li> <li>– Chief executive of Beeland Oil, a multinational oil and gas company 2000–2009.</li> </ul>	<ul style="list-style-type: none"> <li>– Chief executive of BV Plc, the world’s third largest engine manufacturer for the aviation industry, based in Ceeland. 2007–present</li> <li>– Finance director of Ceeland Rail 2004–2007</li> </ul>
<p><b>EXPERIENCE and DUTIES:</b></p>	<p><b>EXPERIENCE and DUTIES:</b></p>
<ul style="list-style-type: none"> <li>– Developing strategy and mission and carrying it through with confidence and vigour.</li> <li>– Responsible for all aspects of human performance management and development and driving enterprise human talent development.</li> <li>– Working on development lifecycle projects including several complex systems infrastructure investments.</li> <li>– Close liaison with national government regulators and rail interest groups.</li> <li>– Producing informative, well-organised presentations for senior management.</li> <li>– Regular liaison with external suppliers, the media and the public.</li> </ul>	<ul style="list-style-type: none"> <li>– Planning strategic business objectives and implementing systems to monitor on performance against key performance indicators.</li> <li>– Responsible for driving the growth of revenue and increased operational efficiency.</li> <li>– Interpreting financial data and drawing conclusions.</li> <li>– Identify skills gaps and providing advice on hiring strategies.</li> <li>– Liaising with key strategic suppliers and customers to define KPIs.</li> <li>– Reviewing, monitoring and authorisation of all budget expenditure.</li> <li>– Motivating and providing strong leadership to all departments.</li> </ul>
<p><b>KEY SKILLS and COMPETENCIES</b></p>	<p><b>KEY SKILLS and COMPETENCIES</b></p>
<ul style="list-style-type: none"> <li>– Ensuring that everything works to the highest possible professional standards with a focus on strong internal control.</li> <li>– A commitment to customer focus and driving improved performance.</li> <li>– A proven track record in change leadership – including the successful management and leadership of the privatisation of V Trains in 2013.</li> <li>– A charismatic leader with a successful track record in managing cultural change from a public sector to private sector environment.</li> <li>– A commitment to building and maintaining close relationships with external bodies, staff, the media, customers and the public.</li> <li>– An enterprising and creative thinker, with a commercial eye, exceptional financial acumen and highly effective leadership skills.</li> </ul>	<ul style="list-style-type: none"> <li>– Decisive and forward thinking, with strong vision and strategic capability.</li> <li>– Ability to network and liaise with stakeholders at every level, particularly customers and strategic suppliers.</li> <li>– Experience of project management in a highly complex engineering environment.</li> <li>– A proven track record of successful leadership and growth, operating within highly competitive markets.</li> <li>– Motivational and credible with highly effective interpersonal skills.</li> <li>– Highly commercial and committed to quality and innovation.</li> <li>– Operationally strong, financially aware and commercially astute.</li> </ul>

Exhibit 6

Initial data on stations in Region 1 - Beeland network											
Analysis of fraud - information based on 2016 analysis											
Town	Ticket barrier	Population per town	Monthly tickets sold to town	Estimated % railway users per town	Estimated monthly ticket sales per town	Variance between tickets sold v projected ticket sales	Spend per ticket sold	Estimated fraud (\$ per month)	Fraud % for each town (based on total population)	Estimated fraud due to poor internal control (%) (based on total population)	Preventable annual fraud (\$) (based on total population)
A	y	142000	28000	21	29820	1820	59	107380	1.28%		
B	y	195000	31000	17	33150	2150	38	81700	1.10%		
C	n	110000	22000	28	30800	8800	44	387200	8.00%	6.72%	3,903,953
D	n	195000	36000	26	50700	14700	51	749700	7.54%	6.26%	7,470,856
E	y	74000	25000	35	25900	900	56	50400	1.22%		
F	y	116000	31000	28	32480	1480	52	76960	1.28%		
G	n	183000	37000	30	54900	17900	56	1002400	9.78%	8.50%	10,456,776
H	y	87000	19000	23	20010	1010	61	61610	1.16%		
I	n	144000	12000	16	23040	11040	48	529920	7.67%	6.39%	5,298,752
J	y	147000	27000	20	29400	2400	62	148800	1.63%		
		1393000	268000					3196070			
Assumed average percentage of unpreventable fraud - Region 1									1.28%		
										<i>Total annual preventable fraud in Region 1:</i>	\$ 27,130,338
										<i>Extrapolate for 20 regions</i>	\$ 542,606,752
<b>Note:</b>											
There are 20 identifiable regions within the Beeland passenger service network. For this analysis assume that all regions are of similar size and structure.											

End of Question Paper

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# Answers

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*For the Strategic Professional Examinations it is not always possible to publish suggested answers which comprehensively cover all the valid points which candidates might make. Credit will be given to candidates for points not included in the suggested answers, but which, nevertheless, are relevant to the requirements. In addition, in this integrated case study examination candidates may re-introduce points made in other questions or parts of questions as long as these are made in the specific context of the requirements of the question being answered.*

*The suggested answers presented below inevitably give much more detail than would be expected from most candidates under examination conditions, and include most of the obvious points evidenced from the case information. The answers are therefore intended to provide a structure of the approach required from candidates, and cover the range and depth of knowledge relating to each task which might be demonstrated by the most well prepared and able candidates. They are also intended to support revision and tuition for future examinations.*

**1 (a) Briefing Paper**

**FAO: Rail Co Trust Board**

**The agency relationship of the parties involved in Rail Co and their rights and responsibilities**

Rail Co is what would be called a devolved government body operating within the public sector. In terms of strategic purpose, Rail Co exists to implement government policy in regard of passenger rail services. Therefore, its organisational objectives will largely be determined by the political leaders of Beeland. Ultimately it is the responsibility of the chief executive of Rail Co to report to the government of Beeland (through the Rail Co Trust Board) on Rail Co's stewardship of the public funding it receives.

The main parties involved in the agency relationship of Rail Co are the government, in the form of the Ministry for Transport of Beeland as the principal and the Rail Co Trust Board and the board of directors, comprising a mix of executive and non-executive officers, acting as the agents. As stated above, ultimately the chief executive of Rail Co is responsible to the government for Rail Co's management and stewardship of the public funding it receives. It is important to note that the way in which Rail Co is regulated and governed is focused on value for money rather than on the achievement of profits.

There is also a further agency relationship within Rail Co, in that the Rail Co board of directors is accountable to the Rail Co Trust Board. It is the responsibility of the Rail Co Trust Board to set a range of performance targets each year and to hold the Rail Co board to account for the effective and efficient use of the funds allocated by government and by the fare paying passengers.

A further aspect of the agency relationship in Rail Co is that the ultimate principal is the taxpayer and the customers, in that it is he or she who pays for the rail service and Rail Co exists for their benefit. It is the ultimate responsibility of the board of Rail Co to ensure that Rail Co carries out its passenger services on behalf of those who fund the activity (mainly taxpayers) and those who use and pay for the services (rail passengers). Funders (i.e. taxpayers) and customers are sometimes the same people (for instance, taxpayers who commute on Rail Co's trains) but sometimes they are not, and this could give rise to disagreements on how much is spent and on what particular provisions. Rail Co has a responsibility to all of its principals to deliver its services efficiently, effectively and offering good value for money. As is evidenced in the recent article in the Beeland Herald, many customers are not satisfied with the value for money offered by Rail Co.

It is the responsibility of the Rail Co Trust Board to ensure that the key outcomes of Rail Co are delivered by setting a range of performance targets, against which performance is measured periodically.

**(b) The role and value of the non-executive directors on the board of Rail Co**

Not-for-profit or public sector organisations must also be directed and controlled appropriately, as the decisions and actions of a few individuals can affect many individuals, groups and organisations which have little or no influence over them. Public sector organisations, such as Rail Co, have a duty to serve the government, but must act in a way that treats stakeholders fairly.

The non-executive directors (NEDs) are not employees of the company and are not involved in its day-to-day running. The non-executive directors usually receive a flat fee for their services, and are engaged under a contract for service.

The role of NEDs is to provide a balancing influence on the board of directors and help to minimise conflicts of interest. The Higgs Report, published in 2003, summarised their role as:

- to contribute to the strategic plan
- to scrutinise the performance of the executive directors
- to provide an external perspective on risk management
- to deal with people issues, such as the future shape of the board and resolution of conflicts.

Importantly, the NEDs should have high ethical standards and act with integrity and probity. Their main role is to support the executive directors of Rail Co and monitor its conduct, demonstrating a willingness to listen, question, debate and challenge.

It is recognised as best practice that a company should have more non-executive directors than executive directors. This is the case for Rail Co, as can be seen from its structure highlighted on the Rail Co website. The NEDs of Rail Co are responsible



for running the four board committees which are set up to monitor the performance of Rail Co in key areas such as health and safety and audit and risk management. The NEDs are also responsible for setting and reviewing the directors' remuneration and evaluating the corporate governance structure and activities of Rail Co and ensuring that the board is adequately governed, structured and staffed. This is particularly relevant and important to a public sector company such as Rail Co, where transparency and public scrutiny are prevalent.

The chairman of Rail Co is also a non-executive director and plays a key role in the business. The chairman has the ultimate role of leading the board, whilst the chief executive leads the business. Therefore, the roles of chairman and chief executive are complementary and interlinked.

The NEDs of Rail Co can add value to the business by:

- broadening the horizons and experience of existing executive directors, particularly if they come from a wide range of both public and private sector organisations.
- facilitating the cross-fertilisation of ideas, particularly in terms of business strategy and planning.
- playing a vital part to play in appraising and commenting on Rail Co's achievement of value for money and advising on strategies to improve this.

A team of executive and non-executive directors needs to be made up of people with business acumen and hands-on experience. Non-executive directors should be able to fill the gaps in expertise not available in the executive team and provide independent and objective scrutiny to the direction of such organisations in the public interest.

**2 (a) To: The Rail Co Trust Board**  
**From: Audit analyst, National Audit Authority**  
**Date: xx/xx/xxxx**

**A report on the customer satisfaction performance of Rail Co and the relative performance of Rail Co with its competitors over the last three years**

**An evaluation of the customer satisfaction survey results**

	Percentage satisfied			Actual % change 2015 to 2016	Trust Board target for 2016 Target growth on 2015	Trust Board target achieved?
	2016	2015	2014			
Overall satisfaction with your journey	87	90	92	-3%	+3%	No
Satisfaction with ticket buying facilities	60	64	65	-4%	+2%	No
Availability of staff	62	65	70	-3%	+5%	No
Helpfulness/attitude of staff	75	73	77	+2%	+2%	Yes
Reliability of service	84	81	86	+3%	+5%	No
Value for money for price of the ticket	50	56	57	-6%	+2%	No

In analysing the results of the customer satisfaction survey, as indicated in the key performance measures highlighted in Appendix 3, these clearly show that overall customer satisfaction of Rail Co's services has declined in 2016. Overall satisfaction has decreased by 3% on 2015 results, and, notably, this is significantly below the target of a 3% increase for the year, as set by the Rail Co Trust Board. This is a key indicator for Rail Co as it demonstrates whether the services provided are effective in the eyes of its customers. Although 87% is still high, it does reflect a growing dissatisfaction from the point of view of the customers as a continued trend. This needs to be reversed.

Customers are also clearly not happy with the ticket purchasing facilities offered at the train stations, with a 4% decrease in satisfaction from 2015. Again, the Rail Co Trust Board target of a 2% increase on 2015 has not been met. One customer feedback comment highlights customer frustration with the lack of online facilities, *'This is very frustrating and often, I use my car instead of going by train as it is more convenient than queuing to buy a train ticket.'* Other national rail operators do offer online ticket buying facilities and it would appear that its absence in Rail Co is a cause for concern, as customers are becoming increasingly unhappy with having to queue for tickets at stations.

The measure of staff helpfulness and attitude is the only performance target met by Rail Co in 2016. This is positive, as it indicates staff commitment and attitude and could be an indicator of successful staff management policies at Rail Co. The availability of staff has declined by 2% and thus clearly not achieved the target set by the Rail Co Trust Board, indicating a possible problem with adequacy of staffing levels or levels of absenteeism.

The customers' perception of the reliability of service has improved from 2015 by 3%, which is a positive outcome. This could be due to increased investment in new trains. However, if this is considered in conjunction with the results of the competitor analysis, it is evident that in fact, the punctuality of Rail Co's services is in fact decreasing year on year. These measures appear to be at odds, but it must be noted that the customers' perception of reliability could include other factors, other than trains being on time to their destination. For example, reliability could include reliability of staff on the trains or reliability of trains stopping at the correct stations.

One of the most important measures is customers' perception of value for money of the price they pay for a ticket. This has decreased significantly compared with 2015 by 6%. This is a significant negative change in customer perception and one

which cannot be ignored. As stated by a customer in the annual survey, 'The price of the regular ticket I buy to commute to work has increased by nearly 10% since last year. I really can't understand why, as I do not seem to be getting more for my money.' This is important to the government because if customers do not believe that they are getting value for money and if ticket prices continue to rise, then Rail Co are in danger of losing more customers.

The above findings should also be considered in conjunction with the results of the competitor performance analysis, as discussed below.

#### Competitor performance analysis

	ANR			Rail Co			Ceeland Rail		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Revenue growth	7%	6%	–	3%	3%	–	8%	5%	–
Operating profit %	33.1%	25.5%	19.8%	25.9%	30.9%	34.3%	36.2%	34.7%	34.4%
Cost per km (B\$)	3.40	3.50	3.60	3.90	3.63	3.40	2.62	2.62	2.66
Cost per employee (B\$)	92,004	95,706	100,041	110,654	101,618	93,221	83,684	80,290	78,033
Ticket price increase p.a	4.9%	0.0%	–	8.9%	7.7%	–	–2.4%	0.0%	–
Customer satisfaction improvement p.a	2%	–3%	–	–3%	–2%	–	+3%	+2%	–
Injuries per staff member	1.1%	1.1%	1.1%	1.8%	1.7%	1.7%	0.4%	0.4%	0.5%

Focusing on the key findings of this analysis, it is noticeable that revenue growth is much lower for Rail Co than its two competitors. In 2016, revenue growth for both competitors was twice that of Rail Co. Indeed, Ceeland Rail achieved an 8% revenue increase despite a 2.4% decrease in average ticket prices, indicating that more passengers were using the network and that there may be some price elasticity of demand. Conversely, Rail Co's revenue increased by only 3% with an average increase in ticket price of nearly 9%, indicating a significant fall in fare paying passengers on trains in 2016, but the article in the Herald newspaper indicates that there may be a 10% increase in total passengers being carried on the service making the service increasingly overcrowded and uncomfortable. Significantly, Rail Co also failed to achieve the revenue growth target set by the Rail Co Trust Board for 2016 of 5%.

All three companies have achieved a healthy operating profit margin, but again, Rail Co is not performing as well as its competitors. ANR has achieved a significant improvement since 2014 in operating profit margin, indicating an improvement in its cost control. However, Rail Co's operating profit margin has decreased by 8% in the same period. This should be of significant concern to the board of Rail Co as it indicates a weakness in cost control.

This point is further highlighted by considering the cost per kilometre travelled per company. Rail Co has the highest cost per kilometre, which has also risen each year since 2014. Ceeland Rail's cost per kilometre is significantly less than Rail Co and has been stable over the same period, indicating sound cost management systems. Ceeland is clearly a larger organisation than Rail Co and therefore may benefit from economies of scale, which must be taken into account, but nevertheless, both ANR and Ceeland Rail appear to be managing their costs much more efficiently than Rail Co.

Rail Co also underperforms both of its competitors in terms of trains on time and once again, it has failed to meet the target for improvement set by the Rail Co Trust Board for 2016 (a decrease of 2% on 2015 compared to a target of +3%). Obviously, it is difficult to judge this measure without further information on distances travelled per train and train type, but it does give us an indicator of how customers are likely to perceive each company. This is indeed verified by the customer satisfaction surveys for each company, which clearly shows that the customers of the two competitors are currently far more satisfied with the services they offer. Ceeland Rail is outperforming both rivals in these two key measures.

Another important measure to consider is staff turnover, as this can be a key indicator of staff satisfaction and overall well-being of staff in the company. It is clear from the analysis that staff turnover in Beeland is high compared to the other two companies. Indeed, in 2016 it was double that of Ceeland Rail. Obviously, it is difficult to make a detailed judgement without having further information relating to staff make-up in terms of full-time and part-time staff and age and length of service. However, this measure should be a clear indicator to Beeland's management that this could be symptomatic of a high level of staff dissatisfaction compared to the competitors and the reasons must be investigated and addressed if possible. If staff are poorly trained or poorly paid, or working in an unsafe environment, then this could lead to poor motivation, which will have an overall impact on customer satisfaction and staff effectiveness. Also, staff turnover will add significant costs to Rail Co's operations.

Although this review has only considered a limited number of performance indicators, it is clear that Beeland Rail is not performing as well as its competitors and that there are a number of areas which the board must address immediately.

**(b) The Rail Co Trust Board**

**Beeland**

**Xx/xx/xxxx**

**Dear Chairman**

The following is our report on the effectiveness of internal controls of Rail Co based on the evidence I have been able to collect and analyse.

Having thoroughly reviewed the Rail Co performance data, the recent board meeting minutes of Rail Co and the transport report in the Beeland Herald, a number of internal control weaknesses can be highlighted.

First, there appears to be a serious weakness in the control of passengers accessing trains without tickets. This is referred to in the Beeland Herald transport report, where it is mentioned that this issue had already been raised in the last two annual reports. This creates a significant business risk which does not seem to have been acted upon or mitigated by the Rail Co board. It has been highlighted for over two years that Rail Co believes that significant numbers of passengers are travelling on Rail Co's network without tickets. A key internal control weakness would appear to be that approximately 40% of Rail Co's stations do not operate ticket barriers, allowing the potential for customer ticket fraud. This potentially will have seriously damaging consequences on the performance of Rail Co in that revenues are not being optimised.

Second, there appears to be a weakness in staff management and safety procedures, in that there has been an increase in the number of injuries to staff reported by Rail Co in the last year. This is evidenced in the recent performance information analysed by one of my colleagues in Exhibit 3. Although Kim Lun has assured the BHSO that a thorough investigation would be undertaken immediately, it indicates that Rail Co has potential weaknesses in safety procedures and also in staff training procedures. The performance statistics indicate that Rail Co has lower levels of training than its competitors and Kim Lun (non-executive director) has noted that there had been a lack of investment in the training of staff in the last three years, which is also a key internal control weakness and one which could seriously impede the performance of Rail Co. Staff who are not appropriately trained are more likely to have accidents and to make mistakes. Again, this will have serious repercussions on the overall performance of Rail Co and could have seriously damaging impact upon reputation if serious injuries occur.

A further internal control weakness could be seen as the lack of investment in online booking systems. Several other national train operators offer online booking facilities and evidence suggested that this had positively impacted upon revenue growth and customer satisfaction in all of these businesses (Appendix 3). Lack of focus upon IT investment and development in key strategic information systems could be seen as an internal control weakness and could hamper the long-term performance of Rail Co.

A further internal control weakness could be the current pay structure. Poorly paid staff who are dissatisfied will leave or may take strike action. HR policies on fair pay could be considered to be weak if they are not commensurate with the expected pay rate.

Throughout the board meeting, there is evidence of the chief executive's inability to react to these key internal weaknesses effectively and it would seem that in some cases, this reluctance and inactivity could have seriously damaging consequences for Rail Co. In a number of cases, there is evidence of a failure to achieve his fiduciary duty to the trustee of Rail Co.

First, his comments in relation to Rail Co's performance are inaccurate and reflect his own opinion, based on historic performance and not the actual performance in 2016. Clearly, some narrow aspects of performance have improved, but it is not in line with competitors and customer expectations in the current climate. His comment that the target for punctuality set by the Trust Board was unachievable and not relevant is highly inappropriate and shows a breach of his fiduciary duty to the trustees. It is his role as chief executive to ensure that these targets are achievable and they cannot simply be ignored. Also, his statement that customers do not understand value for money demonstrates his lack of understanding of the customers' perception of this critical measure. It is wrong for him to make such a sweeping and unjust statement and could seriously damage the reputation of Rail Co if these views were made public.

His response to the investment in ticket barriers is unfounded and demonstrates a lack of understanding of a key internal control weakness in relation to the potential level of fraud in Rail Co. He had made a significant judgement founded upon no evidence of costs outweighing the benefits and his assessment that most fraud being unpreventable is ill-judged and incorrect. Again, his lack of understanding of such an important issue is a failure of his fiduciary duty.

His comment that there is no evidence to suggest that staff morale is low is incorrect, as staff turnover is increasing, strongly indicating low morale. He pointed to evidence in the customer survey report which indicated an annual growth in customer satisfaction levels in relation to staff helpfulness and attitude but this is not linked to staff training in any way. His logic is flawed and his attitude towards staff and adequate training could be seriously damaging to Rail Co.

The CE also commented that online ticket facilities went against the traditional values of customer service focus of Rail Co. His reluctance to invest in such technology could prove to be seriously damaging to Rail Co's performance. It is clear that customers are not happy with ticket buying facilities and should this continue more will use other means of transport. To delay this decision could be damaging to Rail Co, should customers continue to choose other forms of transport to commute.

The chief executive's attitude towards the unions could be severely damaging to Rail Co, should the unions decide to take strike action. The CE commented that the unions were merely taking advantage of the latest survey results to put the board under pressure to increase levels of pay for its members. Although Rail Co must negotiate with the unions, to take an aggressive stance could be counter-productive. His comment relating to the media as an unimportant stakeholder is incorrect as adverse media reports about Rail Co are a potential reputational risk to the organisation.

In conclusion, my overall opinion is that the comments made by the chief executive demonstrate a number of serious failures and weaknesses in his fiduciary duty to the principals and trustees of Rail Co. I have grave concerns regarding his awareness of the current situation facing Rail Co and his abilities to respond effectively to the changes which will be required in the coming months.

Yours sincerely

Assistant auditor, NAA

**3 (a) To: Chair of the Nominations Committee**

**From: Chair of sub-committee**

**Date: xx/xx/x2016**

**Subject: A review of the candidates for chief executive of Rail Co**

**Introduction**

The outline person specification sets out some very clear criteria for the role of CE in Rail Co, specifically the requirement for demonstration of experience at CE level in a similar organisation. Obviously an understanding of the rail industry is also an important factor to consider. Also, in a high profile public sector environment, an ability to operate successfully in a complex political environment and to manage the complex relationships with multiple stakeholders will be a key factor. Importantly, in this role of CE in Rail Co, it is clear that many changes need to be made in the near future to address its current failures and to achieve the targets and expectations of its key stakeholders and therefore the new CE should have the skills and abilities to manage and lead a dynamic change programme at Rail Co.

**Candidate A**

Candidate A clearly has a significant amount of experience as a CE, having worked at this level since 2000. As a CE of a multinational oil company, he will have significant experience of managing a highly complex business environment and multiple stakeholder influences, including government. Additionally, his recent CE experience is within the rail industry working for JPS Express in Jayland. Notably, he led the privatisation of JPS trains in 2013, therefore he has experience of working in the public sector environment prior to 2013. He has clear experience of working with the government and regulatory authorities, which will be a key skill in Rail Co in managing the relationship with the Trust Board and the Minister of Transport. His ability to build and maintain relationships with external bodies, staff and the media would appear to be a highly positive capability and one which is highly desirable in the current operating climate of Rail Co.

Notably, Candidate A demonstrates key skills in change leadership and human performance management. It is clear that a change programme will need to be carried out by the new CE in a number of key areas, including the improvement in the performance of human resources and key strategic project investments. Candidate A has a proven track record in change leadership and in managing complex projects and these will be key attributes. In addition, his focus upon strong internal control is a key competence required at this present time.

**Candidate B**

Candidate B also has a number of very positive attributes. Currently, he is not working within the rail industry, but does work for a very large aviation company which will clearly require many key leadership skills. Although he has not worked as a CE for quite as long as Candidate A, notably he has worked in the rail industry previously as a finance director for Ceeland Rail. Therefore he will have an excellent knowledge of the financial management requirements of Rail Co. His obvious skills and experience in financial management would be a hugely positive influence for Rail Co. His focus on KPIs and developing strategies for revenue growth and operational efficiency would be hugely positive for Rail Co. However, his experiences focus largely upon financial management which, although critically important to Rail Co, may be rather too narrow and not sufficiently focused upon the change leadership requirements of Rail Co. There is also limited evidence of managing stakeholder relationships in a complex environment such as Rail Co, particular the relationship with government and regulatory bodies. Also, there is little evidence of his abilities to lead change.

**Recommendation**

Both candidates have a wide range of skills and experience and both would bring very positive attributes to Rail Co. Overall, taking into consideration the current requirements of Rail Co and the likely changes which will need to be undertaken by the newly appointed CE in the near future, then my recommendation would be to appoint Candidate A. He has all of the relevant public sector experience, together with his experience of managing complex stakeholder relationships and his change leadership experience.

(b)

<p><b>Slide 1</b></p> <p><b>Talent</b></p> <ul style="list-style-type: none"> <li>Individuals who can make a difference to organisational performance through their immediate contribution or, in the longer term, by demonstrating high future potential.</li> </ul> <p><b>Talent management</b></p> <ul style="list-style-type: none"> <li>The attraction, identification, development, engagement, retention and deployment of individuals who are of particular value to an organisation.</li> <li>It is critical for Rail Co to develop, manage and retain individuals as part of a planned talent management strategy.</li> </ul>
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**Notes:**

The definition of talent emphasises that these are individuals who can make an impact on the performance of Rail Co. This is of utmost importance in the near future as Rail Co attempts to turn around its business performance.

Importantly, talent management should be seen as a key strategic management activity which sits alongside and indeed underpins the whole corporate strategy.

Many organisations consider the 'talents' of all their staff and work on ways to develop their strengths. Talent management programmes may include a range of activities such as formal and informal leadership coaching, networking events and board-level and client exposure. It can also include ensuring that all staff are adequately and effectively trained and motivated at all levels of the business

<p><b>Slide 2</b></p> <p><b>The contribution of the chief executive in talent management</b></p> <ul style="list-style-type: none"> <li>Important that talent management strategy is led from the top</li> <li>Senior management team must assess the human talent needs of the change programme</li> <li>Driving force in attracting talent and building a high performance workplace</li> </ul>
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**Notes:**

Ensuring that the talent management strategy is closely aligned with the corporate strategy must be a priority. The CE must lead the senior management team in understanding the main priorities of the change programme in Rail Co which should then be used to develop a human talent forecast, which can help shape Rail Co's talent management strategy.

Visible senior-level support for talent management is critical, and this is best done by the CE.

The ability to attract external talent depends upon how potential applicants view Rail Co. The creation of an attractive employer brand is an important factor in recruiting external talent. Again, the CE will be a driving force in this, as the figure head and mouthpiece of the organisation he will be integral in creating the employer brand which will attract talent to Rail Co.

4 (a)

<b>Initial data on stations in Region 1 - Beeland network</b>											
<b>Analysis of fraud - information based on 2016 analysis</b>											
Town	Ticket barrier	Population per town	Monthly tickets sold to town	Estimated % railway users per town	Estimated monthly ticket sales per town	Variance between tickets sold v projected ticket sales	Spend per ticket sold	Estimated fraud per month	Fraud % for each town (based on total population)	Estimated fraud due to poor internal control (%) (based on total population)	Preventable annual fraud (\$) (based on total population)
A	y	142000	28000	21	29820	1820	59	107380	1.28%		
B	y	195000	31000	17	33150	2150	38	81700	1.10%		
C	n	110000	22000	28	30800	8800	44	387200	8.00%	<b>6.72%</b>	<b>3,903,953</b>
D	n	195000	36000	26	50700	14700	51	749700	7.54%	<b>6.26%</b>	<b>7,470,856</b>
E	y	74000	25000	35	25900	900	56	50400	1.22%		
F	y	116000	31000	28	32480	1480	52	76960	1.28%		
G	n	183000	37000	30	54900	17900	56	1002400	9.78%	<b>8.50%</b>	<b>10,456,776</b>
H	y	87000	19000	23	20010	1010	61	61610	1.16%		
I	n	144000	12000	16	23040	11040	48	529920	7.67%	<b>6.39%</b>	<b>5,298,752</b>
J	y	147000	27000	20	29400	2400	62	148800	1.63%		
		1393000	268000					3196070			
<b>Assumed average percentage of unpreventable fraud - Region 1</b>									<b>1.28%</b>		
										<b>Total annual preventable fraud in Region 1:</b>	<b>\$ 27,130,338</b>
										<b>Extrapolate for 20 regions</b>	<b>\$ 542,606,752</b>
<b>Note:</b>											
There are 20 identifiable regions within the Beeland passenger service network. For this analysis assume that all regions are of similar size and structure.											

The spreadsheet prepared by the financial controller has identified the estimated fraud per month in Region 1, based upon the variance between actual tickets sold and estimated tickets sold per town (based on estimated percentage of railway users per town). This is then estimated as a percentage based on the total population of each town. It is notable that for each railway station which has a ticket barrier that the level of fraud is markedly lower than those stations without ticket barriers (stations C, D, G and I). Therefore, it can be assumed that ticket barriers are clearly having a direct impact on preventing fraud. The estimated railway users in the towns need further investigation. How was this calculated? Was this based on surveys or on demographic factors or both? This would have to be examined further.

The spreadsheet also calculates the percentage of unpreventable fraud at 1.28%, based upon an average of those stations which have ticket barriers (stations A, B, E, F, H, J). This presumes that there is an element of fraud occurring on Rail Co's network which cannot be prevented with the installation of ticket barriers. There will always be some degree of fraud occurring which is almost impossible to control. Again there is an assumption about preventable versus unpreventable fraud. Further information may be required to understand how this estimate was arrived at and whether this is the same at all stations and regions.

Therefore the spreadsheet takes this into account when calculating the percentage of fraud due to poor internal control (preventable fraud) at those stations without ticket barriers.

If we then use this information to calculate the total preventable fraud based upon the total population in each town, then it can be calculated that total annual preventable fraud is estimated to be nearly \$B27 million in Region 1 alone. If we were to extrapolate this across 20 regions, it gives an estimated annual fraud of \$B542 million. The assumption that this region is perfectly representative of other regions allowing such an extrapolation is a tenuous one. It is unlikely that the profile of towns, their demographics, and the proportion of rail users or preventable versus unpreventable fraud levels will be the same across regions. However, if these assumptions can reasonably be made, this is a significant amount and if we were to take this as a percentage of total revenue in 2016 it amounts to 12% of annual revenue. This is a staggeringly high figure and clearly a significant control problem for Rail Co. Even if the level of preventable fraud was assumed to be 50% of the calculated figure above (say \$B270 million), this level of fraud is still unacceptable.

- (b) The first measure which Rail Co should consider is the installation of ticket barriers at those stations with a high level of preventable fraud and which currently do not have ticket barriers. Clearly, ticket barriers are a huge deterrent to fraud, as evidence by the levels encountered at stations with barriers on the network in Region 1. Obviously, Rail Co would need to undertake a thorough cost benefit analysis on such a project but from the estimated level of preventable fraud calculated above, then it is likely that such an investment would have significant benefits for Rail Co.

A further measure would be to expand ticket offices and employ more staff at ticket offices to reduce queuing time for customers. Clearly, customers are likely to become frustrated by having to queue for tickets, particularly if they may miss their train. Expansion of ticket booths or the installation of ticket machines would provide customers with more opportunity to buy a ticket.

Another measure would be to offer customers the ability to purchase tickets whilst on the trains. This is likely to mean employing more ticket inspectors on each train. Obviously, this is likely to be costly, but Rail Co could manage this by only employing more staff on peak time trains.

Rail Co should also consider the prices it charges to customers. Some customers may be motivated to travel without a ticket due to its unaffordability. In this case, these customers will inevitably take the opportunity to travel without tickets if they can do so. This could include younger customers, such as students, for example, who cannot afford a regular high priced ticket. Rail Co should review its pricing policies and structure and consider offering a more affordable range of ticket prices to meet the needs of its customer groups, such as student concessions, off-peak travellers and frequent user discounts and passes.

Rail Co could also consider the introduction of an online train ticket booking facility. It would seem that Rail Co is indeed behind its competitors in this development and should be a serious consideration for Rail Co. Online ticket purchasing is likely to be a hugely convenient ticket buying option for its customers and is likely to encourage more customers to buy tickets in the comfort of their own home or office. Obviously, this will be a significant investment for Rail Co and a major project undertaking, but it would likely be a significant influence in reducing fraud.

Clearly, Rail Co cannot control all customer fraud and it will always encounter dishonest travellers. However, it is important to implement measures which safeguard against lost revenue which is not done with dishonest intentions.

## 5 (a) Business case for the investment in an online ticket sales system for Rail Co

### Introduction

The following business case sets out how investment in online ticket sales could assist Rail Co in producing more timely customer data and assist in customer relationship management.

### Current situation

Presently, Rail Co does not operate an online ticket sales facility for its customers. All tickets are purchased at ticket offices located at each station. Recent evidence suggests that as a result of inadequate ticket buying facilities at the stations combined with a lack of ticket barriers, there is a high level of fraud occurring in the network. Some of this fraud could be eliminated with the introduction of improved ticket buying facilities such as an online booking facility.

In addition, customers are used to being able to buy products and services online and as a modern organisation Rail Co should be considering offering customers such a facility. It has become an expectation of digital life that customers are provided with the flexibility to buy products and services from the comfort of their own home. Research also suggests that other national passenger rail service providers offer customers such a facility. Therefore, not to offer such facilities may be detrimental to Rail Co's competitive position.

**Analysis of the benefits of an online ticket sales facility**

The purpose of CRM is the building of relationships in order to affect customer acquisition, retention and loyalty, resulting in the development of 1:1 relationships with these customers. This 'customer focused' approach, which will involve building a strong relationship with Rail Co's customers as well as gathering, storing and sharing information about these customers across the organisation, will likely improve customer loyalty.

Electronic CRM, in the form of an online ticket sales system, would make it possible for Rail Co to have as much contact as possible with its customers through the internet. This internet support for Rail Co's customers would likely take the form of presales information, such as timetabling information, ticket purchasing services and after-sales support, such as online refunds or customer account queries. The internet would make it possible for Rail Co to have frequent contact with its customers, and so enable us to operate and maintain a detailed customer database, assisting us even further in developing better customer relationships. A further value of the internet for Rail Co could be seen in the quicker flow of information (real time sales data) and more consistent communications which can result from its use.

The effective use of CRM systems could assist in Rail Co's relationship-building activities while also contributing to the profitability of the business. Some of the goals which we should set would include retaining our existing passengers, improving customer satisfaction with the services we offer and increasing customer loyalty. Customers who receive excellent services remain loyal and a further advantage is that they provide free advertising by talking about the organisation's services.

Operational CRM includes customer-facing applications such as sales force automation, enterprise marketing automation and customer service and support. Rail Co may consider the implementation of a customer call centre, which is also a component of operational CRM. In this way, all interactions with the customer could be recorded, enabling Rail Co to gather even more data on the customer and thus track the customer.

Analytical CRM could also be used to analyse the data which has been created through operational CRM, to build a picture of the customer. Analytical CRM includes the capturing, storage, extraction, processing, interpretation and reporting of customer data stored in data warehouses. This will enable us to examine customer behavioural patterns in order to develop marketing and promotional strategies which can be tailored to specific customer groups, such as students, the elderly, daily commuters or leisure travellers.

**Risk assessment**

A detailed cost analysis must be undertaken to assess the financial viability of an investment in an online ticket sales system for Rail Co. Further risks should also be considered including the customer perception of such a system and also a stakeholder mapping exercise will need to be undertaken. The main risk is that customers will not use the system, either due to a reluctance to change purchasing habits or due to a lack of awareness of the facility. These risks can be overcome through adequate customer awareness strategies such as in-station advertising and national and regional TV and radio advertising.

**(b) Outline project initiation document**

Project objectives	To implement an online ticket sales system in Rail Co to enable customers to purchase tickets online as well as through ticket sales offices at train stations. The overall objective of the project is to increase customer satisfaction levels.
Anticipated benefits	<ul style="list-style-type: none"> <li>- A reduction in numbers of passengers travelling without tickets</li> <li>- Improved revenues and profitability</li> <li>- Increased levels of customer satisfaction and loyalty</li> <li>- Up to the minute customer data for marketing purposes</li> <li>- Reduced marketing costs due to online advertising</li> <li>- Tailored marketing approach meaning a more targeted focus on customers' needs</li> </ul>
Scope	<p>An extension of the current website to include web-based ticket booking technology and customer contact facilities.</p> <p>A customer database to capture customer information and booking history which can be utilised for customer relationship management and marketing purposes.</p>
Deliverables/Outcomes	A fully operational customer ticket sales site as part of the current Rail Co website within 12 months.
Constraints	<p>Funding – to be considered as part of an overall cost benefit analysis to be completed.</p> <p>Resources – the project will need to be undertaken by an external systems development provider. A tender process will need to be carried out immediately.</p> <p>Time – the project should be completed and the booking system fully operational with 12 months of the project start date (to be confirmed).</p>

Key stakeholders	<ul style="list-style-type: none"> <li>- Customers/fare paying passengers</li> <li>- Station and train staff of Rail Co</li> <li>- The board of directors</li> <li>- Rail Co Trust Board</li> <li>- The government of Beeland</li> </ul>
Project team roles	<p>Project manager (Rail Co projects and infrastructure staff)</p> <p>Development team (systems development supplier staff)</p> <p>Rail Co director of projects and infrastructure</p> <p>One NED</p>
Risk assessment	<p>Cost overruns</p> <p>Delays to project deadline</p> <p>Lack of customer usage or satisfaction with the system</p> <p>Systems security breaches</p>
Cost estimates	To be undertaken
Performance measures	<ul style="list-style-type: none"> <li>- Number of tickets sold online</li> <li>- Number of repeat purchase online</li> <li>- Reduction in levels of fraud</li> <li>- Number of customer accounts set up online</li> <li>- Impact on revenue growth</li> </ul>



- 1 (a)** Up to two marks for identifying and explaining the agency relationship of at least four parties involved in Rail Co.  
(Up a maximum of 8 marks in total)
- (b)** One mark per relevant point for assessing the role and value of the non-executive directors on Rail Co's board. The focus of the marks should be on the specific role within a public sector organisation.  
(Up to a maximum of 6 in total)

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
1 (a) Communication skills in clarifying the agency relationships in Rail Co	<i>The candidate has demonstrated poor communication skills. They have failed to present the required information in a clear, objective and unambiguous way. The answer is not communicated in an appropriate format (briefing paper) or tone (for review by the Rail Co Trust Board)</i>	<i>The candidate has demonstrated some basic communication skills in presenting an appropriate briefing paper format. Some relevant information is contained in the answer but some of the information is not relevant or unclear.</i>	<i>The candidate has demonstrated good communication skills in the presentation of the briefing paper to the Rail Co Trust Board. The candidate has presented most of the relevant issues and has done so concisely and in most cases, clearly.</i>	<i>The candidate has demonstrated excellent communication skills. The briefing paper was correctly structured, covered all of the relevant points needed by the Trust Board in understanding the agency relationship and was set at the correct tone.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>
1 (b) Evaluation skills in assessing the role and value of the non-executive directors in a public sector environment	<i>The candidate has failed to demonstrate any evaluation of the role of the non-executive directors. The answer is merely descriptive and contains no evidence of the use of professional judgement to evaluate the non-executives role in and value to the business.</i>	<i>The candidate has demonstrated some limited evaluation skills in assessing the role of non-executive directors in the business. The candidate has demonstrated limited evolution of the value of non-executive directors and there is limited focus of the public sector environment.</i>	<i>The candidate has demonstrated evaluation skills in assessing the role and value of the non-executive directors but the focus of the answer was not upon the public sector environment specifically.</i>	<i>The candidate has demonstrated sound evaluation skills in assessing the role and value of the non-executive directors and the answer is focused directly upon the public sector environment.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>

2 (a) One mark for each relevant point supported by relevant calculations as appropriate.  
(Up to a maximum of 12 marks)

(b) Up to two marks for each internal control identified and evaluated up to a maximum of six marks. A further four marks for justifying, with evidence, why the CE of Rail Co should be removed.  
(Up to a maximum of 8 marks)

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
2 (a) Analysis skills in investigating and analysing the information presented in the spreadsheet	<i>The candidate has demonstrated very limited analysis skills. The candidate has failed to select appropriate metrics or considered or analysed the information carefully. The candidate has demonstrated limited evaluation or reflection on any calculations presented.</i>	<i>The candidate has demonstrated some analysis skills in investigating and selecting appropriate calculations relating to Rail Co's customer survey results and its relative performance. However, there is only some evidence of reflection of the calculations presented.</i>	<i>The candidate has demonstrated analysis skills in selecting a reasonable range of relevant calculations on both the customer survey results and its relative performance. The candidate has made a reasonable attempt to comment and reflect on these calculations.</i>	<i>The candidate has demonstrated excellent analysis skills in presenting a wide range of relevant calculations on both customer survey results of Rail Co and its relative performance. The candidate has also demonstrated sound evidence of high levels reflection on and consideration of the calculations presented.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>
2 (b) Scepticism skills in questioning the opinions and assertions made in the minutes to the board meeting	<i>The candidate has failed to demonstrate any scepticism of the internal controls or of the opinions and assertions made by the chief executive. The candidate demonstrated no evidence of challenging or questioning the internal controls or the opinions of the CE. The candidate failed to clearly justify why the CE should be removed from his position.</i>	<i>The candidate has demonstrated some, but limited, scepticism of the internal controls and the opinions and assertions made by the chief executive. The candidate questioned some of the internal controls and challenged some of the assertions made by CE. However, the depth of the questioning was limited and the challenge to the CE's opinions was not presented in a professional manner.</i>	<i>The candidate has demonstrated scepticism of the internal controls or of the opinions and assertions made by the chief executive. The candidate recognised and challenged most of the internal controls. The challenge of the CE's opinions was reasonably sound. The challenge to the opinions of the CE could have been presented in a more professional manner.</i>	<i>The candidate has demonstrated deep scepticism of the internal controls or of the opinions and assertions made by the chief executive. The candidate strongly questioned, with evidence, the validity of the internal controls. The candidate challenged the opinions of the CE in a professional and justified manner.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>

- 3 (a)** Up to one mark for each relevant point which clearly evaluates each shortlisted candidate. Award up to two marks for a clearly justified recommendation.  
(Up to a maximum of 8 marks in total)
- (b)** Up to three marks per slide and notes. Up to one mark for each relevant point made relating to the impact of talent management in the change required by Rail Co.  
(Up to a maximum of 6 marks)

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
3 (a) Commercial acumen skills in evaluating the relative merits of the two candidates	<i>The candidate has demonstrated no commercial acumen in judging the relative skills and experience presented by the two candidates. The candidate has merely restated the information presented and has showed no commercial awareness of the factors affecting the successful contribution of a new CE. No use was made of the person specification</i>	<i>The candidate has demonstrated some commercial acumen in judging the relative skills and experience of the two candidates. The candidate has demonstrated a limited commercial awareness the factors impacting upon the successful contribution of a new CE. The candidate made limited reference to the person specification.</i>	<i>The candidate has demonstrated some sound commercial acumen in judging the relative skills and experience of the two candidates. This has been evaluated in some parts against the person specification. The candidate has demonstrated some good commercial awareness of the factors impacting on the successful contribution of the new CE.</i>	<i>The candidate has demonstrated excellent commercial acumen, using the person specification to form a clear judgement of the requirements of the role. The candidate has demonstrated strong awareness of the factors impacting on the successful contribution of the new CE and has made sound judgement on the choice of candidate.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>
3 (b) Communication skills in conveying relevant information in an appropriate tone to the nominations committee	<i>The candidate has demonstrated poor communication skills. They have failed to present the required information in a clear, objective and unambiguous way. The answer is not communicated in an appropriate format (presentation slides) or tone (for the non-executive directors of the nominations committee).</i>	<i>The candidate has demonstrated some basic communication skills in presenting two presentation slides. Some relevant information is contained in the answer but most of the information is not relevant or unclear and not at an appropriate tone for a non-executive.</i>	<i>The candidate has demonstrated good communication skills in the presentation of the two slides to the nominations committee. The candidate has presented most of the relevant and key issues and has done so concisely and in most cases, clearly.</i>	<i>The candidate has demonstrated excellent communication skills. The presentation slides and notes were correctly and effectively structured, covered all of the key issues needed by the nominations committee to explain the contribution of talent management expected of the new CE.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>

- 4 (a) Up to one mark for each relevant point made relating to analysis of the findings of the spreadsheet identifying levels of preventable fraud in Region 1, up to a maximum of six marks. A further two marks to be awarded for an evaluation of the impact on Rail Co's revenues.  
(Up to a maximum of 8 marks in total)
- (b) Up to three marks for each measure recommended and clearly justified.  
(Up to a maximum of 8 marks)

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
4 (a) Scepticism skills in considering the information presented in the spreadsheet and reflecting on the impact on revenues	<i>The candidate has demonstrated no scepticism skills. They have failed to question the information contained in the spreadsheet nor has the candidate offered any evidence of any reflection on the implications of the results which were identifiable from spreadsheet information.</i>	<i>The candidate has demonstrated limited scepticism skills by questioning some of the information and calculations. However, there is limited evidence of the candidate's abilities in considering the information and reflecting upon the outcome of the calculations identified.</i>	<i>The candidate has demonstrated some sound scepticism skills in considering and questioning a number of the calculations in the information presented. The candidate has demonstrated some ability to reflect on the implications of the calculations undertaken.</i>	<i>The candidate has demonstrated excellent scepticism skills in effectively an accurately analysing the information presented in the spreadsheet. The candidate has also demonstrated a clear understanding of the implications of their calculations for Rail Co.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>
4 (b) Commercial acumen skills in making sound recommendations for suitable measures and safeguards	<i>The candidate has demonstrated no commercial acumen skills in that they have failed to demonstrate any awareness or judgement of the required safeguards and measures.</i>	<i>The candidate has demonstrated only limited commercial acumen in presenting only a very limited range of recommendations on appropriate safeguards and measures, some of which showed weak commercial judgement and understanding.</i>	<i>The candidate demonstrated some commercial acumen in that they recognised some of the measures and safeguards required, demonstrating some judgement and understanding.</i>	<i>The candidate demonstrated excellent commercial judgement, making recommendations for safeguards and measures which demonstrated strong commercial awareness and understanding.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>

- 5 (a) Up to one mark for each relevant point made in relation to the impact of online ticket sales on customer relationship management for Rail Co.  
(Up to a maximum of 8 marks in total)
- (b) Up to maximum of 2 marks for each relevant aspect of the PID for an online ticket sales system project for Rail Co.  
(Up to a maximum of 8 marks)

Professional skills may be additionally rewarded as in the following rubric:

How well has the candidate demonstrated professional skills as follows:	Not at all	Not so well	Quite well	Very well
5 (a) Evaluation skills in assessing the impact of online ticket sales on CRM	<i>The candidate has demonstrated no evaluation skills. The candidate has demonstrated no professional judgement in considering the relevance of an online ticket sales system to Rail Co. The answer is largely theoretical and the candidate has demonstrated little evidence of an ability to take into consideration the impact of the decision on the stakeholders of Rail Co.</i>	<i>The candidate has demonstrated some evaluation skills in assessing the impact of an online ticket sales system for Rail Co. The candidate has used little professional judgement to evaluate the impact of the system on producing more timely customer information and in CRM. There is evidence of some limited evaluation of the impact of the decision on the stakeholders of Rail Co.</i>	<i>The candidate has demonstrated some sound evaluation skills in assessing the impact of an online ticket sales system for Rail Co. The candidate has made a reasonable attempt to evaluate the impact of the system on more timely customer data and improved CRM. The candidate has demonstrated a reasonable ability to assess the impact on the stakeholders of Rail Co.</i>	<i>The candidate has demonstrated excellent evaluation skills. They have clearly demonstrated excellent professional judgement in assessing the impact of the system on timely customer data and CRM. The candidate has also demonstrated a clear ability to assess the impact of the new system on the stakeholders of Rail Co.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>
5 (b) Communication skills in producing a PID to be used by Rail Co	<i>The candidate has demonstrated no communication skills. The document produced is not a useful PID document and could not be used to effectively communicate to the members of the Rail Co project in order to plan and implement the online ticket sales system.</i>	<i>The candidate has demonstrated limited communication skills. The PID presented would have limited use as a communication tool for the members of the Rail Co project in order to plan and implement the online ticket sales system.</i>	<i>The candidate has demonstrated a reasonably good level of communication skills. The PID produced has some of the required information needed to be an effective communication tool for members of the Rail Co project to plan and implement the online ticket sales system.</i>	<i>The candidate has demonstrated excellent communication skills. The PID produced is an excellent communication tool which could be effectively used by the members of the Rail Co project to plan and implement the online ticket sales system.</i>
	<b>0</b>	<b>0.5</b>	<b>1</b>	<b>2</b>