

Finntutors

Pre-Seen Analysis

May 2024 – Aug 2024

Strategic Case Study

Exam

S🔒EFWELL

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Context of this Pre-seen

CIMA is aware that there has been, and remains, a significant amount of change globally.

This pre-seen, and its associated exams (while aiming to reflect real life), are set in a context where current and on-going global issues have not had an impact. (Specifically, Covid-19 and the Russia-Ukraine war)

Remember, marks in the exam will be awarded for valid arguments that are relevant to the question asked. Answers that make relevant references to current affairs will, of course, be marked on their merits.

Introduction

Saefwell is a **quoted company** that offers **advice and support** on corporate security and enterprise risk management.

It is a listed company. We must discuss the benefits and limitations of being a listed company.

Advantages:

- a) Access to Capital for Growth.
- b) Enhanced Visibility
- c) Liquidity

Disadvantages:

- a) Enhanced reporting requirements
- b) Enhanced government and shareholder scrutiny

Since we are a listed company, it will be important to present the profitability ratios, lender ratios and investor ratios properly as shareholders and the market as a whole will read into the same to judge the company.

F3 Syllabus

The company offers a number of different services, ranging from the **provision of security guarding** to **consulting on enterprise risk management**.

Consultancy activities range from advising on systems to counter security threats (both physical and cyber) to the **provision of intelligence and investigations intended** to address evolving threats.

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You are a **senior manager** in Saefwell's **finance function**.

As a senior manager you need to look at the 'Long-term' strategic issues.

Your audience will be the Board of directors and to give a satisfactory answer understanding the full scale of the business operation is very important.

Your role as a senior finance Manager includes:

- Long term focus
- Product related decision support
- Diversification related support
- Project management and risk focus
- Long term financing
- Advising top management
- Stakeholder management

If you look at the above points you will see that all of them correspond to the blue print areas set out by CIMA and eventually are part of the E3 P3 and F3 syllabus.

You report directly to the Board and advise on **special projects and strategic matters**.

E3 Syllabus

Saefwell operates on a **global basis**, with **regional offices in several countries**.

This tells us that we are a multinational company. This brings in complexities in terms of foreign currency risk and interest rate risks.

Also means, we must keep our transfer pricing and hedging topics in mind as this can be an exam scenario.

F3 and E3 Syllabus

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Its head office is in **Barrland, a developed country** that has an active and **well-regulated stock exchange**.

Saefwell is located in a developed economy so it opens up advantages such as better infrastructure, highly skilled workforce and customers having the spending power.

Here, we need to also take into consideration the higher regulation and high factors of productions costs.

Make a note:

Barrland is a developed country/economy. This means businesses have the interest and the money to spend on physical security in businesses and are also spending on innovative and technologically developed digital security services.

This tells us that **“Demand Conditions”**: Porters Diamond are strong.

Barrland’s **currency is the B\$**.

Barrland requires companies to prepare their financial statements in accordance with **International Financial Reporting Standards (IFRS)**.

Security Industry:

The modern-day security industry **dates back to the middle of the 19th century.** Previously, security companies **provided little more than physical** protection for individuals and for property. By the mid-1800s, security **companies started to offer intelligence-led services**, primarily focussing on protecting clients from loss. These services included counter-espionage and fraud investigation.

Considering the nature of the business having a strong external market analysis and customer analysis will be key for us. Could turn out to be a competitive advantage for companies like Saefwell.

E3 Syllabus

Typically, a major security company will offer some or all of the following services:



On-site guarding:

Clients often outsource their physical security arrangements to security companies.

On-site guarding can take several forms, including:

- Staffing reception desks and other entrances, checking visitors' credentials.
- Patrolling clients' premises, detecting intruders.
- Providing security staff for retail shops, either in uniform or in plain clothes, to discourage theft of goods.

Security staff report any suspected criminal activity to the police. They do not have law enforcement powers.

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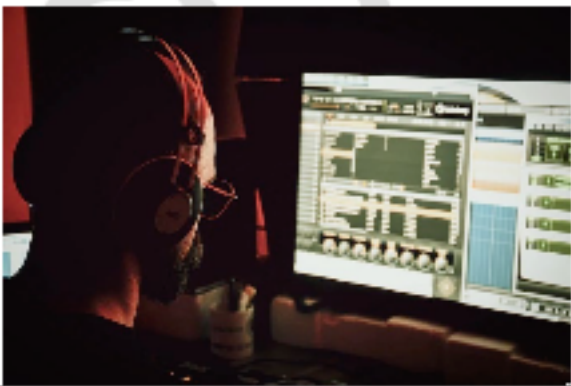


Mobile guarding:

Mobile guarding uses vehicle patrols to **visit client premises at random intervals** while they are unoccupied.

Security guards check that doors are locked and that there are no signs of forced entry.

Guards check in by phone or radio to confirm that a check has been undertaken and that everything is secure.



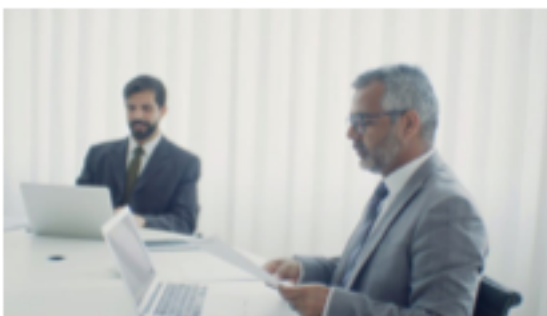
Remote services:

Clients can pay to have their **electronic security systems monitored** when their premises are unoccupied.

Security companies have control rooms that receive any notifications of intrusion from client systems.

Staff are trained to respond to any alarms, usually by notifying both the police and a designated contact, such as a manager who has a key to the property.

These kind of different services is the reason why this industry is growing and these are areas that Saefwell needs to explore and market around.



Corporate investigations:

Most large security companies can carry out specific investigations tailored to a client's needs. For example:

- **Counter-espionage**, including the investigation of suspicions that intellectual property has been copied and is being abused by a third party.
- **Fraud investigations**, including the collection of evidence relating to suspicions that an employee or other stakeholder has defrauded the company.

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- **Vetting potential appointees**, such as individuals who are being considered for appointment to senior positions within an organisation. These investigations will involve a thorough investigation of that person's background and character.

Security companies employ **trained investigators** to carry out these assignments.



Risk management:

Security companies can provide consultancy support, advising management concerning strategic risks, both in terms of **identification and mitigation**.

Security companies compete with other consultants, such as management

consultancies, for such work.

This market is highly fragmented as we know from the industry analysis and hence managing change within the business environment will be important.

E3 Syllabus.

Also, different competition analysis methods along with benchmarking techniques are also important to know.

E3 Syllabus.

Security companies generally focus on **risk management** and the **development of controls and other procedures for the management of risks**.

The concept of risk management for different types of risks is a vital part of this company as its part of our operations itself.

Different types of controls to be put in place are important to know from the **P3 syllabus.**

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Security assessment:

Security companies are often asked to **evaluate existing corporate security systems**, both physical security and cyber security.

Such evaluations can be based on the study of the systems that are in place or they can involve attempts

to breach systems through the identification and exploitation of weaknesses.



Training:

Security companies can provide courses for management and staff at all levels within the organisation, ranging from **practical training** for the client's security guards to **training in enterprise risk management** for senior managers and board members.

So, the security industry would include:

- Planning, Implementation and Control of physical security services and other software based services to enable customers to safeguard their products and services
- Safe and efficient services using different hardware and software products
- Checking for mistakes and re-enforcing errors to make sure future learnings take place

All of these factors indicate towards a capital-intensive industry. This brings in your capital structure related questions.

Top Issue

F3 Syllabus

Because of the complications in these services value is generated for companies like Seafwell. Something we can market around.

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Some security **companies combine security services with facilities management**, rather than focussing exclusively on security services. For example, Ghrobar Facilities provides its clients with a **wide variety of services** such as cleaning and property maintenance, in addition to on- site guarding, mobile guarding and remote services.

The providing of security services (physical or digital) with machines and humans an active part of ecosystem raises security breach risk, health and safety risks and many more risks. This is going to be an inevitable part of the business and controlling the same/reducing the same to the highest possible level is important for any business in this industry.

Talk about real world examples here of how lapses have caused companies to pay millions against lawsuits.

Identifying risks and managing these risks is important in your SCS Exam.


P3 Syllabus

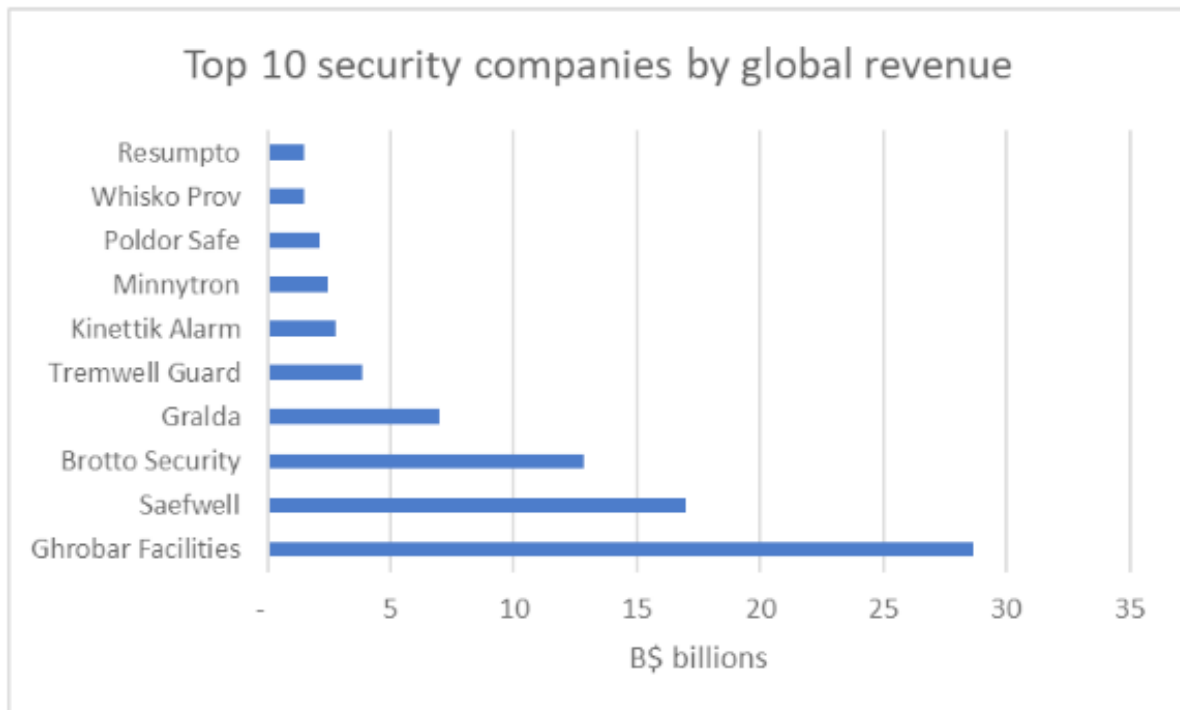
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Saefwell has the **second-highest global revenues** of all security companies.



Some security companies **specialise in intelligence-led services**. Resumpto, Whisko Prov and Poldor Safe focus on advising and training clients.

Minnyttron, Kinettik Alarm and Tremwell Guard **focus on protecting client staff and property**, through on-site guarding, mobile guarding and remote services.

Gralda, Brotto Security and Saefwell focus on security, **offering both physical protection and intelligence-led security**.

These are all driving factors for my industry and company. A keen eye for changing external market trends will be very important in this industry.

Segmentation and external market analysis will be important here.

E3 Syllabus

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Physical security services:

Physical security services involve the provision of trained staff to undertake one or more security duties.

These range from:

- staffing the reception areas in clients' offices,
- checking the credentials of staff and visitors seeking entry,
- to the provision of roving patrols in warehouses and factories,
- asking potential intruders to explain their presence.

Many countries have legislation that requires security staff to be licensed if they are employed to carry out "front-line" work on behalf of third parties.

Licences are required for:

- guarding property against theft, damage or unauthorised access
- operating surveillance equipment, such as closed-circuit television (CCTV) feeds, to guard premises or protect people from assault
- holding keys on behalf of third parties.

Licences are granted to applicants who have completed an approved training course and have passed the course assessments. The government's licensing authority then carries out a criminal record check, which confirms that applicants for licences have not been convicted of offences that are inconsistent with security work, such as crimes involving dishonesty or violence. Licence holders must inform the licensing authority if they are charged or convicted of a criminal offence.

Inherent risk in this business is quite high. Fraud risk will be something to consider here. So, your fraud risk indicators and fraud risk management strategy are important from the P3 syllabus.

Licences are not normally required for security staff who are employed directly by the company that uses their services.

Global security companies such as Saefwell and Ghrobar Facilities tend to **restrict their provision of physical security services** to countries where their staff are **unlikely to be at serious risk of physical harm**. Their security staff are not expected to carry weapons such as firearms, pepper spray and batons.

A clear safety risk. I hope you have begun curating a list of risks that our company can face.

Security staff do not have the same powers as police officers. Police officers have the power to arrest individuals if they have reasonable grounds to believe that they have committed criminal offences. Most security companies train their staff to contact the police if they suspect that a crime is being committed and to **observe and record events from a safe distance where possible**.

Security staff are not normally expected to use force to subdue a thief or attacker. The law does, however, permit all citizens, regardless of whether they are employed in a security role, **to use reasonable force when acting in self-defence** or when apprehending criminals who would otherwise escape justice.

Security companies carry out **their own risk assessments** before committing staff.

For us as a service provider in this industry it will be important to have a robust risk assessment department to protect ourselves and our employees against damages and claims. [P3 Syllabus](#)

Setting proper CSF's and KPI's throughout the organization will be very important to achieve goal congruency. [E3 Syllabus](#)

The customers need and requirements will have to be controlled carefully. The concept of considering all factors when making a decision (SAF) can be kept in mind here along with the principles of TQM.

E3 Syllabus

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They may **refuse to accept assignments** that would place staff in physical danger unless that danger can be mitigated through training or the adoption of safe working practices.

For example:

- **staff being asked to patrol warehouses** where goods are being loaded and unloaded should be issued with high visibility jackets, safety helmets and steel-toed work boots to reduce the risk of injury in that environment.
- **Reception staff** in city centre offices may require little more than uniforms that identify them as security staff and radios with which to summon assistance.

Intelligence-led services:

Intelligence-led services tend to **require specialist consultants.** Clients will usually be seeking advice on **specific matters that require considerable expertise.**

For example:

- a client might want some reassurance that its security systems are effective and could ask a security company to attempt to gain access without being detected. That could involve using a team of security experts to use the same techniques that would be employed by criminals or unscrupulous business rivals to gain unauthorised access.

Since any system that you use will be using data the types of cyber risks and protections against the same must be kept in mind.

P3 Syllabus

- Evidence of weaknesses might then be presented to senior management, perhaps by showing them photographs of sensitive documents.

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Clients might make a similar request to **test the security of online systems.** Again, consultants would apply the same techniques used by hackers in order to attempt to access or disrupt the operation of clients' IT systems.

A question in the exam could be: That an intelligence led service we supplied malfunctions and does not prevent a cyber attack.

The board of directors/company is blamed for this and our governance comes into the picture along with our internal controls system.

P3 Syllabus

The objective of such an exercise is hopefully to confirm that the targeted systems and files are not vulnerable, although a successful attempt to hack the system will alert the **client as to the system's shortcomings and allow a solution to be developed.**

This is your penetration testing concept from **the P3 syllabus.**

This type of testing and systems integration to conduct penetration testing will be highly reliant on technology and hence your cloud computing and big data topics **from E3 come into the picture here.**

The need for strong internal controls to ensure software and robots are well integrated is key!

P3 Syllabus

Increasing the need for skilled staff and hence costs. Capital intensive nature showcased again.

Assignments may be **relatively unstructured**.

For example:

- a client may be considering locating a new factory in a foreign country that is emerging as an inexpensive location in which to do business. The client may be concerned about both the financial risks associated with investing in this country and the health and safety risks associated with asking managers and staff to base themselves there.
- **A security company** might use a combination of desk research and site visits to investigate the risks and to provide the client with a report on the political, economic and health and safety risks.

Security companies **recruit consulting staff from a variety of different backgrounds**, taking account of the services that they offer and the associated skills that are required.

Training and experience from disciplines such as auditing will be useful in ensuring that **staff can offer expertise in areas such as IT security and fraud investigation**. Some assignments also require strong interpersonal skills. For example, the easiest way to enter a secure site is to persuade a security guard to permit access. If consultants can trick guards into letting them in, then so can intruders. Similarly, hackers often ask members of staff for their usernames and passwords and use these to access IT systems.

Intelligence-led security services tend to **focus on strategic or governance matters** and are intended to provide clients' boards with the **assurance** that they **require with regard to strategic or governance risks**.

The **open-ended nature of the work** that these firms can undertake often **puts them in competition** with management consultants, accountancy firms and other professional entities.

Because of the nature of competition, we could look at different avenues of growth using acquisitions, mergers, JV, strategic alliance.

The Ansoff matrix can also be used to create exam style scenarios as it enables different strategies for growth.

E3 Syllabus

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Now we are starting to see the far-reaching market/opportunities/alternatives that 'security management services' has access to.

It is a big market and a big industry. Focusing on the right areas and using data is a key competency in this market.

We already know that this is a huge market worldwide and is also a big market in Barrland.

This is also an indication that other markets around the world have lucrative opportunities for expansion. (Something we have learnt from the industry analysis)

Saefwell

Saefwell **was founded in 1920** as a security company, specialising in providing guards to protect clients' premises.

We have already been in the market for about 104 Years!

Which means we may have garnered some goodwill or some resistance ability that we have been able to thrive and grow during this period

Every market goes through stages of booms and recessions in 104 years and if we have survived the same and grown during this phase, it says a lot about the company.

Since we are in the market for a long time, we are bound to have reputation. Your reputations risk comes into the picture here.

P3 Syllabus

The company **continues to offer physical security services**, currently employing **460,000 security staff worldwide, operating in 74 countries.**

Different countries = different currencies. So, currency risk and its management come into the picture. **F3 Syllabus.**

Different countries = different employment rules and government rules come into the picture. So political risk increases. **P3 Syllabus.**

Different countries = transfer pricing issues come into the picture. **P3 Syllabus.**

Because there is so many personnel to deal with a strong culture will be needed within the organization and a strong code of ethics policy to ensure smooth and successful running of the business is very important.

Top Issue

E3 Syllabus

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Saefwell has been a **major provider of intelligence-led** risk management services since the 1970s. The company **now employs 22,000 risk management consultants**, most of whom are based in the company's head office in **Barrland's Capital City and at four regional offices around the world.**

We will own assets in different currencies so your translation risk comes into the picture. **F3 syllabus.**

Risk management consultants expect to travel to assignments, enabling the company to **provide almost worldwide coverage for its intelligence-led services.** Saefwell has completed **consultancy and training projects in 132 countries over the past 20 years.**

It further shows the nature of our company. Risk seeking to stay ahead of the market.

The company was **quoted on the Barrland Stock Exchange in 1991.** Saefwell provides its **own training programmes** for security guards, ensuring that all **exceed the minimum requirements** for licensing purposes in their home countries. The company provides **ongoing training** to ensure that all security staff are aware of their responsibilities and can fulfil those in **a safe and professional manner.**

Since we are a listed company, questions can easily come up about raising capital, debt/equity balance, decision making on WACC, decision making on acquisitions and everything along those lines.

It will be important to have proper quality controls/internal controls in place with heavy regulations and reputation at stake.

P3 Syllabus

Saefwell also pays well, **exceeding competitor's hourly rates** of pay by as much as 10%.

This will be our competitive advantage and something we market towards.

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That brings us to the end of the Pre-seen analysis Part 1

For access to our full pre-seen analysis and mock questions please write to us on help@finntutors.com or visit our SCS page on: finntutors.com/scs



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