

Examiner's report

P3 Business Analysis

December 2012



General Comments

The Business Analysis examination is in two sections. The first section contains one mandatory question, worth 50 marks, based around an extended case study. The second section contains three questions, each worth 25 marks. The candidate is required to answer two questions from this section.

Performance in this examination was disappointing. This was despite good answers to the mandatory question one, where many candidates achieved high marks. However, there was even evidence in this question of candidates not being familiar with certain parts of the syllabus. A significant number of candidates did not answer the part of this question concerned with benchmarking.

In the optional questions, there was considerable evidence of candidates being unfamiliar with parts of the syllabus. Question four, on decision trees, risk and software package evaluation was not answered by many candidates. However, even within their selected questions (questions two and three) it was clear that many candidates were unfamiliar with the principles of strategic alliances and (in particular) the sources of internal finance. This lack of knowledge meant that many candidates scored poorly in their selected optional questions.

Many candidates also spent too much time on question one part a, producing an answer that was far too long for the marks on offer. This meant that these candidates had less time to answer the optional questions. Time management is a common problem on this paper, and, judging by comments on various forums, is one that most candidates are aware of. The need for appropriate planning and time management in this examination can only be re-iterated.

Overall, candidates are encouraged to write answers that are precise and focussed. Obviously, the size of handwriting does vary, but in general most successful scripts were 12 – 15 sides long. They were easily contained in one examination booklet. Too many long scripts appear to be streams of consciousness with too much repetition, verbatim copying of facts and figures given in the scenario and text about models and frameworks that needed to be applied and not described

Specific Comments

Question One

The scenario for this question described four companies in the EA Group. The first part of the question asked candidates to analyse the performance of each of the four companies described in the scenario and to assess each company's potential contribution to the EA Group portfolio of businesses. The key word here was *portfolio*. Most candidates recognised that this question was concerned with portfolio analysis and so used appropriate analysis models. The provision of market share and market growth data made the use of the BCG matrix (Boston Box) particularly appropriate. Some candidates did use alternative models (SWOT in particular) and still scored relatively well. However, there was insufficient data to undertake a SWOT analysis for each of the four firms in the scenario.

Many candidates scored very well in this part question. Indeed, in some respects, some answers were too comprehensive, with candidates making more points than the marks on offer. Sometimes this led to time problems later on in the paper. A few candidates scored very heavily on this part question (over 20 marks) and



yet still failed the examination overall, probably due to poor time management caused by spending too much time on this part question.

In contrast, the second part of question one was poorly answered. This asked candidates to evaluate the potential influence of time, scope, capability and readiness for change at Steeltown Information Technology on any strategic change proposed by the EA Group. Too many answers did not concern themselves with strategic change but instead focused on changes in the type of systems developed at Steeltown and the fact that there was a backlog of applications and that user departments found it difficult to specify system requirements in advance. Furthermore, too few candidates commented on the competencies that the EA Group would bring to the problem, concluding that Steeltown would not have the ability to implement strategic change itself. This is probably true, but the scenario makes it clear that responsibility for strategic change lies with the EA Group. *'They (the EA Group) want to explore these (contextual) factors before they firm up their proposed strategy for the newly acquired company'* (my italics).

The final part of the first question concerned benchmarking. It was clear that many candidates had read the relatively recent Student Accountant article on this and so scored relatively well. It also appeared that some candidates were not prepared for this subject at all and omitted it completely. Overall, this part question was fairly well answered (5 or 6 marks out of ten was typical) by those who answered it.

Question Two

The scenario for question two concerned a large estate that was facing internal and external problems. A large part of the scenario consisted of quotes from a recent stakeholder survey.

The first part of this question (worth 15 marks) asked candidates to evaluate the strategic position of the estate with specific reference to

- The expectations of stakeholders (both internal and external)
- The external environment of the estate
- Strategic capabilities of the estate itself (internal strengths)

Candidates tended to produce unstructured answers to this part question, due to one, or more, of the following reasons.

- Too much use of the Mendelow power/interest grid; leading to a consideration of stakeholder management, rather than the conflict caused by the different stakeholder perspectives and expectations.
- Overusing PESTLE, in a case study scenario where there was very little on, for example; technology, economy and environment. Technology was usually considered in the perspective of the website, which of course is an internal resource. Indeed it is an internal weakness.
- Attempting a SWOT analysis for which there was just insufficient information. This led to the consideration of weaknesses, which again resulted in an inappropriate in-depth analysis of the defects of the web site.

Overall, this part question was not well answered, and despite some very lengthy answers, relatively few candidates gained a pass mark on this part question.

The second part of the question asked candidates to discuss how the estate's website could be further developed to address some of the issues highlighted in the stakeholder survey. This should have been relatively straightforward, and indeed many candidates did score well in this part question, cross-referencing their points to the comments made in the stakeholder survey.



However, other candidates focused too much on the 6is (interactivity etc...), introducing general points that they could not back up with a relevant example, because they were not appropriate in the context of the scenario.

Overall, although question two was popular, it was not answered as well as it should have been.

Question Three

This question concerned an industrial chemist who was looking for ways to take his company and ideas forward and exploit them before his patent expired. The first part of the question asked the candidate to evaluate the appropriateness of franchising, highlighting the advantages and disadvantages of this approach from the perspective of the chemist (the owner of Graffoff). This part question was relatively well answered, using a structure suggested by the question; description, advantages, disadvantages, evaluation. Some candidates did try to use the Johnson, Scholes, Whittington framework of suitability, acceptability and feasibility but this framework did not really suit the information given in the scenario. Some candidates were confused about franchising, restricting their discussion to a franchise just offered to one company; the Equipment Emporium.

The second part of the question asked the candidate to evaluate how other forms of strategic alliance might be appropriate to strategic development at Graffoff. Many candidates were aware of joint ventures and licensing but really failed to suggest why these might be more appropriate or different to franchising. Candidates could have also made more of the potential link up with the Equipment Emporium. Some candidates suggested mergers, acquisitions and even selling the company. However, these are not strategic alliances.

Finally, candidates were asked to evaluate a claim that Graffoff could completely fund its organic expansion at a cost of \$500,000, through internally generated sources of finance. This part question was poorly answered on three counts:

- Many answers were too general (reduce creditor days) and included no calculation at all, so the consultant's claim could not be properly evaluated.
- Too many candidates turned the question into a general question on the advantages and disadvantages of organic growth. There were some good answers to a totally different question. In the context of this examination, most of these answers scored zero.
- Finally, too many answers focused on external finance (share issues, more loans) and this was specifically excluded from the question.

Although question three was a popular question, many candidates scored poorly on parts b and c.

Question Four

This question concerned a producer of aircraft and ship engines and the conduct and aftermath of a search for engine testing technology. The first part of the question asked candidates to conduct a decision tree from information given in the question scenario. It also required candidates to discuss the implications and shortcomings of decision trees. Although this was an unpopular question (see below), many candidates showed that they were very familiar with constructing and interpreting decision trees and so scored reasonably well on this part question. The most common error was to forget to subtract the cost of the investment. However, it also has to be said, that some answers were very poor and it was unclear why the candidate chose to answer this optional question.

The second part of this question asked the candidate to discuss what other factors, not reflected in the decision tree analysis, should be also taken into consideration when choosing which option to select. Again, candidates



who knew this topic well, produced good answers, centred on risk, supplier viability and software functionality. In contrast, some answers were very poor and rambling; not answering the specific question at all.

Finally, candidates were asked to consider how two risks; supplier business failure and employee travel, might be avoided or mitigated. Again there were some very good answers. However, there were also some very poor answers, lacking in content or generally describing risk management without any context at all.

Overall, this question was unpopular. Candidate performance tended to be good, with candidates confident in the application and limitations of decision tree analysis and able to properly discuss risk in context, or poor, with candidates unable to properly undertake decision tree analysis or discuss the concept of risk in the context of the scenario.