Examiner’s report
P3 Business Analysis
December 2014

General Comments
Generally, candidate performance was in line with previous sittings. There were many good scripts which illustrated excellent knowledge of the syllabus, combined with a professional and appropriate approach to answers, both in their content and structure.
Two issues need highlighting.

1. Three of the questions included quantitative data that the candidate is expected to use in their business analysis. However, too often this data was ignored and so simple conclusions could not be made and marks could not be gained. For example; in question two, most candidates failed to investigate the relationship between the number of people allocated to a certain task and the volume or frequency of that task.
2. Many scripts display elements of poor time management. Candidates need to allocate time per part question and stick to it. The inclusion of too much detail about certain models is also discouraged unless it is specifically asked for in the question. In question one, part a, some candidates described the Boston Box in depth, supported by a diagram, explaining how companies in each quadrant should be managed within the portfolio. This was not required by the question and is a waste of valuable time. Candidates could apply the Boston Box in the first part of question one; for example, stating that one of the companies (Stuart Roam Road Transport) is a ‘cash cow’ (1 mark) explaining why it is a cash cow (1 mark) and discussing the role of the cash cow within the group (1 mark). However, there is no requirement to describe the theory in depth. Doing so inevitably leads to coverage of completely irrelevant factors for a particular scenario. For example; there were no BCG ‘dogs’ in the scenario, but too many candidates explained the principle of the dog and what should be done if one was found.

In Section B, question two was the most popular optional question.

Specific comments

Question One
The scenario for this question concerned a group of companies providing transport and warehousing services. The first part of the question asked candidates to evaluate the current performance of each of the three operating companies in the group portfolio and assess their relative significance to future strategy. Enough information was provided in the scenario for candidates to confidently locate each company on the Boston Box or the Ashridge Portfolio model. Up to 7 marks were available for the evaluation of each company with a maximum of 21 marks for this part of the question. One of the companies was a rail transport company. The evaluation of this company was particularly significant given the proposed acquisition of an airport. Post-acquisition performance at the rail company suggested that the Group is not particularly effective outside its road transport and storage heartland. In general, candidates answered this part question very well. Many candidates related each company to the Boston Box, or (less frequently) to the Ashridge model. The biggest misclassification related to Stuart Roam Rail. Because it was underperforming, many candidates considered it, in BCG terms, a dog. However, the rapidly expanding market, indicated by the performance figures, is significant here and Stuart Roam Rail is really a question mark, because it appears to have the right market conditions to grow, but it is failing to do so.

As mentioned above, the Group is in the process of acquiring an airport and the management rationale for this was included in the scenario as a statement from Sir John Watt. Financial information for Godiva airport was also provided and appropriate financial ratios could be calculated and compared to industry averages. The candidate was asked to evaluate the proposed acquisition of the airport and this evaluation was worth 15 marks. Overall, the airport does not appear to be a particularly good fit for the company, particularly given its poor post-acquisition of the rail transport company. Even the management’s rationale is a sleight of hand. Sir John Watt suggests that road, rail and air transport are complementary, but the Group is actually acquiring an airport not an airline. However, perhaps the stated reasons for the acquisition is a feint. The purchase makes more sense in terms of land values and location and perhaps this is the real reason for the acquisition. This part question was

answered adequately by most candidates. Most answers included the obvious financial ratios that could be calculated from the information provided (ROCE, gross profit percentage, operating margin, gearing and liquidity ratios). Very few answers picked up on the trade payables and trade receivables figures, which suggested that Godiva airport was using its suppliers as a source of free credit. Much was made of the non-financial challenges facing the acquisition, particularly given the Group's experience in the rail industry. So, overall, answers were adequate but rarely spectacular, with many answers just not making enough points to get the marks on offer.
The evaluation required above was in the context of an independent report. Four professional marks were available for the clarity, structure, logical flow and appropriate tone and vocabulary of the report. Many candidates produced excellent, structured answers, professionally presented and written.

Finally, candidates were asked to consider two routes to competitive advantage (price and differentiation) in the context of the one of the companies in the scenario – Stuart Roam Road Transport. This was worth 10 marks. Stuart Roam Road Transport is in a position to exploit both of these routes. The first through its dominant position in the industry and strong financial performance, and the second through the position of having almost unique assets, such as its fan club, the New Roamantics. This part question was poorly answered. Some candidates did introduce the Strategy Clock, for which credit was given, but many answers were either very short, incorrect (suggesting that hybrid strategies had to do with green consumers) or very theoretical. Very few answers used the context of Stuart Roam Road Transport to illustrate the elements of a hybrid strategy. Some candidates also included examples from one of the other companies in the group, or from the proposed acquisition of Godiva airport, all of which were outside the scope of the question. The requirement was explicitly and solely related to Stuart Roam Road Transport.

Question Two

The scenario for this question described a business process which had been outsourced by an organisation called Stella Electronics. The business process was presented as a flowchart, supported by a narrative. The first part of the question asked candidates to evaluate this process and to suggest improvements. This was worth 15 marks. An important part of the evaluation was an analysis of the data that supported the diagram. For example; the scenario stated that 30% of end customers did not know their payment/service reference number. This meant that, on average, 153 people per day made calls that were not completed, costing Stella Electronics $153 per day for issues that were unresolved. The end customer's time and money was also wasted and this inefficiency provided a potential source of complaint and dissatisfaction. Generally, answers were better on suggestions for improvement than on the evaluation of the current process. Too much of the evaluation was general and did not use the data provided in the scenario. However, despite this, answers were generally quite good, suggesting that the scenario and the question requirements were both well understood.

The second part of the question asked whether the company should continue outsourcing the business process or should it brought back in-house. Current and future cost data was provided to help this analysis. Candidates should have been able to show that the financial case for outsourcing remained very strong. However, other factors, such as negative feedback from customers and the importance of service as a primary activity in the value chain, might suggest that non-financial factors might lead to the company bringing this process back in house. This part question was worth 10 marks. Again, many answers were too general and did not use the data provided (or incorrectly used it) and so many of the points made in candidate answers were insubstantial. Candidates often claimed that 'outsourcing is generally cheaper' but did not offer evidence to support this from the actual scenario, even though the evidence was there.

Question Three

This question was concerned with project and risk management. It described a company (The Knowledge Partnership) that offered project and software consultancy work in Zeeland. The conduct of the company (only undertaking assignments in Zeeland, possessing significant liability insurance) and the conduct of the two projects in the scenario, displayed many elements of effective risk management. The first part of the question asked candidates to identify and explain these elements. So, for example, risk mitigation was illustrated by the escrow agreement described in project two. Risk transfer was illustrated by the company's liability insurance. This part question was worth 15 marks. Most candidates answered this part question relatively well. There were clear links between the elements of risk management and the circumstances described in the scenario. However, some candidates spent too much time here framing general answers on good project management, which was not what was required.

The second part of the question asked candidates to describe the principle of the triple constraint on projects (scope, time and cost) and to discuss its implications in the two projects described in the scenario. The two projects showed how the balance of the three factors were different in different projects and this had to be recognised by the project management approach. In project one, cost was fixed, scope was substantially fixed and time could be varied. In project two, time was fixed, scope could be varied and cost could be substantially increased to ensure that the deadline was achieved. Ten marks were available for this part question. This part question was not particularly well answered. Too many candidates focused on describing the three elements of the triple constraint, with little linkage to the projects described in the scenario. When links were made, they were often wrong, with most candidates failing to correctly identify the main driver within each project (cost, time) and how these impinged upon the other two facets of the triple constraint. Overall, candidates did not score well in this part question.

Question Four

This question concerned an organisation (Noble foods) that produced pet foods. The first part of the question (again worth 15 marks) asked candidates to evaluate the strengths and weaknesses of the pet food plant from the perspective of the value chain. Data provided in the question supported this analysis. For example, in the context of inbound logistics, the plant was competitive in terms of raw foodstuff costs and canning costs. However, the location of the factory made goods inward costs relatively high as smaller trucks negotiated rural roads and a congested town centre. Generally, candidates answered this part question relatively well. They were aware of what the primary activities of the value chain were and, by and large, were able to apply them in an analysis of the situation described in the scenario.

In the second part of this question, candidates were asked to analyse trends in the pet food industry as a whole, using data and information from the scenario. So, for example, the demand for moist pet foods was falling, although the severe decline of 2007 – 2010 had flattened out. This analysis was worth five marks. Many candidates were unable to offer an analysis beyond stating that dry food consumption had gone up and moist food consumption had gone down. Few candidates commented on the stagnating nature of the total pet food market and the implications of this for the four companies competing in it. Most candidates only scored two marks or less for their answer to this part question.

Candidates were then asked to focus on the demand for moist pet food and the implications of this. A linear least squares regression forecast was expected, together with a recognition that this was likely to produce forecast values that were too low, given the flattening out of the demand curve. Interpretation of the correlation coefficient and the coefficient of determination was also expected. The likely implications of the forecast should have focused on the continuing need to produce moist pet food at the plant. There were five marks for this part question. Many candidates who attempted question four did not attempt this part question at all, suggesting that they were unfamiliar with least squares linear regression and the value and meaning of the correlation between the two variables under consideration. Consequently many candidates scored zero for this part question.