Examiner report
P3 Business Analysis
June 2012

ACCA

General Comments

Performance in this examination was not as good as in the previous sitting. Marks for the compulsory question (question one) were particularly affected by poor answers to part b of this question; the creation of strategic options. The project management question (question three) was the least popular optional question. Question two (software package procurement) and three were not particularly well answered. Question four, which concerned the value chain and the supply chain, was not only very popular, but it was also, on the whole, very well answered.

Candidates may perceive that there are time management issues with P3, and certainly time has to be properly allocated and managed. However, a significant contributor to examination failure is the time wasted by candidates in copying out parts of the question and describing theory in great depth, when really application is what is required. This propensity to ignore the context of the questions particularly affected performance in questions 1b, 2b and 3a.

When calculating values, candidates are reminded about assessing the plausibility of their answer. For example; one candidate claimed that 200/850 = 0.94. It seems likely that they had made a mistake on their calculator, which a little mental arithmetic would have easily identified.

Finally, candidates must ensure that the answers are readable. What we cannot read, we cannot mark.

Specific Comments

Question One

Question one was based on a scenario of a long established shoe company which was suffering from lack of investment and competition from cheap foreign imports. The scenario presented a SWOT analysis of the business produced by a business analyst. A particular feature of the scenario was that the company was owned by a family who held a set of beliefs that stressed the social obligations of employers.

The SWOT analysis was descriptive and so the first part of the question asked candidates to analyse the financial position of Hammond Shoes. Further strengths and weaknesses might be driven from this analysis, as well as evidence to support the business findings of the business analyst. This part question also asked candidates to evaluate the proposed investment of $37.5m in upgrading its production facilities. The emphasis of this part question was on *analysis* and *financial position*. Too many candidates re-iterated textual information already given in the scenario and so wasted valuable time.

Comprehensive financial information was provided in Figure 1 of the scenario, with extracts from income and financial position statements. This figure provided sufficient information to calculate some useful financial ratios; ROCE, gross profit margin, net profit margin, gearing ratio, interest cover and trade receivable days. Most candidates recognised this and, as well as calculating appropriate ratios, provided a good textual analysis of their results. However, the quantitative analysis of the proposed investment was less well tackled. Some candidates ignored the returns given in the scenario completely, confining their analysis to the figures presented in the financial statements and trying to apply the suitability, acceptability and feasibility criteria to the proposed investment. Other candidates were aware that the analysis should be based on the cost, income and probabilities described in the scenario, but surprisingly few were able to properly calculate expected values and so gain the marks on offer. However, despite this weakness, candidates still performed reasonably well on the first part of this question.

The second part of the question asked candidates to use an appropriate framework (or frameworks) to examine the alternative strategic options that Hammond Shoes could consider to secure its future position. No specific framework was given, although the inclusion of a SWOT analysis in the case study scenario might have suggested a TOWS analysis to candidates. However, the strategy clock, Ansoff matrix and Porter's generic strategies could all be successfully applied to the case study situation. There was no need for answers to include all these frameworks as their application often suggests the same strategic option. The examiner's advice is to only use more than one framework where a further framework gives an insight or provides a suggestion that the initial framework has failed to provide. People who describe three or four frameworks in such questions rarely score better than a candidate who has restricted themselves to a proper analysis based on one appropriate framework. A considerable number of candidates did use appropriate frameworks in this question but often failed to apply them sufficiently to the case study scenario to gain many marks.

Unfortunately, too many candidates also tried to apply PESTEL and Porter's Five Forces to the case study scenario. Both of these frameworks are more appropriate for defining strategic position, rather than strategic options and so candidates struggled to score significant marks. In fact, their PESTEL analysis was often little more than a re-iteration of information from the case study scenario and no strategic options were generated at all. This is unsurprising, as the PESTEL analysis usually precedes the SWOT and indeed feeds into it to define the opportunities and threats facing the organisation. As a result, many candidates wrote long answers using inappropriate frameworks that did not address the requirements of the question. Consequently, many candidates scored disappointingly on this question and this greatly affected their ability to pass the whole paper.

The final part of this first question asked candidates to advise the Hammond family on the importance of mission, values and objectives in defining and communicating the strategy of Hammond Shoes. This was satisfactorily answered, although a surprising number of candidates failed to answer this part question at all. Some candidates believed that values were about the value to the customer and so found themselves in an inappropriate cul-de-sac of describing value propositions, value chains and value networks. This was surprising given the emphasis on business values in the case study.

Question Two
This question concerned a company that had bought and implemented a software package to automate its production process. The package had been bought by the CEO at a trade exhibition. However, problems arose when the package was implemented, and these problems were described in the scenario. The first part of the question asked candidates to critically evaluate the decision to buy a software package, explaining why the software package approach was unlikely to succeed. The CEO had already accepted that 'using a software package to automate the production process was an inappropriate approach and that a bespoke in-house solution should have been considered'. The focus of the first part of the question was on understanding why the software package approach was almost bound to fail in an application that was not fully understood, in an organisation with immature procurement processes and in a business environment where the production process itself provided the company with a significant competitive edge. The question asked candidates to *critically evaluate the decision made by the CEO to use a software package approach to automating the production process*… Unfortunately, too many candidates just read the first few words *critically evaluate the decision* and so the focus of their answer was on the decision itself (made without consultation, made without understanding requirements), rather than on the decision to follow the software package approach as a whole. It was agreed that credit should be given for this alternative interpretation of the question, but it must be stressed that candidates must carefully read the whole of the question and determine what is required in the context of the scenario. As one marker commented, 'it is as if they have read the first few words of the question and then dived into an answer'.

The second part of this question was relatively straightforward, asking candidates to analyse how a formal process for software procurement, evaluation and implementation would have addressed the problems experienced in the production process project. However, as in question three (see later notes), too much focus was on describing a process for software package procurement as opposed to how it would address the problems experienced by the company.

Question Three
This question assessed elements of project management. The scenario concerned the construction of a community centre and the project management issues that arose during its construction. The scenario also included the investment appraisal that supported the business case for funding the community centre under a private/public investment appraisal.

The first part of the question asked candidates to analyse how a formal terms of reference for the project would have helped address problems encountered in the project and how it would also lead to improved project management (lessons learnt) in future projects. Most candidates were able to describe the structure and contents of a project initiation document, and many did so at length; but this was not the question requirement. Indeed some answers contained only theory and made no reference to the scenario at all. Thus many candidates did not score highly in this part of the question, although they may have written a lot.

Candidates need to carefully consider their approach to such questions. It might be better to start with the problem or issue from the scenario and then to reflect on how (in this case) a project initiation document would have addressed this problem. For example, in the scenario it emerges that '80% of the timber used in the building must come from sustainable forests". The construction company did not know this at the start of the project. It seems likely that a project initiation document that forces the definition of constraints on the project would have unearthed and documented this. It might also be recommended that these general terms of the private/public investment policy should be explicitly integrated into all future project initiation documents created by the local authority under this initiative. The focus of the answer should be on the scenario, not the theory.

The second part of the question asked candidates to draft an analysis that formally categorises and critically evaluates each of the four sets of benefit defined in the original business case. This was not answered particularly well. Candidates need to ensure that they are familiar with contemporary benefits management, elements of which have been integrated into the revised section of the Study Guide. Benefits management is increasingly important in organisations and candidates would gain from understanding its principles and the issues it is attempting to address.

Question Four
The final question concerned the value chain at a company specializing in the production of bespoke sofas and chairs. This was a popular question and many candidates scored high marks.

The first part of the question asked candidates to analyse the existing value chain, using it to highlight areas of weakness. This was relatively well done, although many candidates started to suggest ways of overcoming these weaknesses, which was the really the focus of the second part of the question. This meant that candidates wasted time by covering the same ground twice.

The second part of the question asked for an evaluation of how technology could be used in both the upstream and downstream supply chain to address the problems uncovered in the first part of the question. Again, this was

relatively well answered, although too many candidates forgot to focus their answer on technology and strayed into organisational responses (outsourcing, restructuring) which were not part of the requirement. Unlike question three, virtually all answers focused on the case study scenario and avoided generalities. This is to be commended.