

Examiner's report

P3 Business Analysis

June 2014



General Comments

Generally the candidate scripts for this examination were not as good as at recent sittings. Overall, the section A question was answered relatively well, with many candidates scoring a good pass mark. However, section B questions were often poorly answered and contributed to many candidates failing the examination.

None of the optional questions of section B covered significant new ground. Question Two concerned a pricing policy and a similar question was asked in December 2011 (question 4, ATL). A similar question to question three, on the selection, evaluation and implementation of a software package was asked in the June 2012 paper (Flexipipe). Finally, although question four was the least popular question, dubious investment appraisals have been the topic of at least two previous questions (June 2012, Tillo community centre and June 2011 – 8-Hats promotions).

It was a paper where too many candidates did not answer the question that was actually asked (for example; giving advantages and disadvantages, when only advantages were asked) or did not provide clear answers (is the poor financial position a threat or a weakness?). Too many answers were not structured around the required process or framework, with candidates electing to produce long unstructured answers that filled answer books but gained few marks.

Specific Comments

Question One

The first part of this question asked candidates to undertake a SWOT analysis of a company called ReInk Co. Strengths and weaknesses are based on an internal analysis of the organisation and so reflect competencies and resources (patents, technical expertise) and internal problems (financial losses, lack of commercial acumen). Opportunities and threats are based on external factors, such as a rise in green consumers (opportunity) and the possibility of legal action from Original Equipment Manufacturers (threat). This first part of the question was worth twenty marks. Candidates answered this part question relatively well. The main problem was misclassification. For example; classifying the financial situation of the company as a threat (presumably because it is a threat to the firm's existence), rather than as an internal weakness. Misclassified answers were given some credit, but in SWOT analysis classification is important, otherwise the analysis is just an unstructured list. Furthermore, some candidates gave relevant points, extracted from the case study, in their answer but actually did not actually classify them at all. This really is just copying parts of the scenario into an answer. Little credit could be given for such answers.

The second part of the question asked candidates to evaluate the effect of contextual features on the introduction of strategic change at ReInk Co. These contextual factors are from the Balogun and Hope Hailey model and were specifically defined in the scenario. Thus candidates did not have to recall the model; but they had to apply it. Part of this application was an understanding of the meaning of the contextual factor itself. For example; time is concerned with how much time is available to execute the change. Is there a need for rapid strategic change? It is not concerned with 'it is time that this organisation changed'. This part question was worth fourteen marks. Although this model has been used in a number of past examinations, many candidates still seemed unfamiliar with it. They were forced to guess what each of the contextual factors is (although some are indeed easy to guess) and many answers made little reference to the scenario. Importantly, the model (and the question) is



about strategic change; it is not about the organisation as a whole. So scope is about the scope of change; not about the scope of marketing or the scope of the organisation's operations as a whole. Many candidates did not focus their answers on strategic change and consequently candidates did not score too well on this part question.

Finally, the third part of the question asked candidates to recommend possible strategic options using each quadrant of the TOWS matrix. It was possible to define a potentially feasible option for each quadrant of the matrix, although the SO quadrant probably contained the most valuable options in terms of the scenario. This part question was worth twelve marks. This was not particularly well answered by candidates, with some candidates getting the quadrants wrong (trying to find strengths to overcome weaknesses) and very few focusing on strategic options; preferring to describe a limited tactical response. Many candidates seemed to be familiar with the matrix but not with its application.

The whole of this question was based on an assessment report required by Vi Ventures and candidates were given professional marks for the overall quality, construction, fluency and professionalism of their report-based answer to this question. Issues considered here include vocabulary (is it appropriate to a professional report?), tone and approach (reflecting Vi Ventures as the recipient), fluency of argument and structure; and, finally, are there appropriate introductions and summaries? Overall, presentation was fairly good. However, the context of the report was often forgotten. It was for Vi Ventures; and this should have driven the tone and content of report, particularly in part b, where Vi Ventures need to be aware of their possible input into the strategic change process at Relnk.

Question Two

This question asked candidates to suggest a pricing strategy for an IT training company. An initial price of \$750 per delegate was suggested and this provided a basis for an important part of the cost and price analysis. Financial details were given from a similar company and these allowed expected values to be calculated. The data allowed candidates to calculate expected contribution per course and the breakeven number of courses (using the assumption of \$750 per delegate place). The question specifically asked for both financial and non-financial aspects to be considered and so these were equally weighted in the marking scheme, which allocated sixteen marks to this part question. Most candidates elected to attempt this question, but it was not answered particularly well. Financial analysis was often very limited, with little use of expected values. The non-financial analysis was often very poorly structured and was not well integrated with the financial analysis. It was possible to easily calculate the breakeven number of courses or breakeven course price from the data provided. Such an analysis would have shown that the proposed \$750 delegate fee was slightly too low. Good candidates recognised this and suggested a higher price that not only allowed the company to potentially make the required modest profit but was also more in line with the quality image that it wished to convey, so aligning financial and non-financial considerations. Very few candidates commented on the likelihood of the start-up IT training company achieving the course sizes of an established training provider, thus undermining the legitimacy of the expected values.

Price is arguably the most flexible part of the marketing mix. It can be quickly changed to reflect market conditions. The second part of this question focused on three other aspects of the marketing mix; physical evidence, people and process. These are elements of the marketing mix often associated with service provision. Candidates were asked to analyse the contribution of each of these elements in the context of the training company's entry into the IT certification market. Nine marks were available for this part question; three marks for each part of the extended marketing mix. This was poorly answered despite clear signposts in the scenario; the



importance of the lecturers (people), the significance of course material (course manuals), the need for an easy transaction process. Candidates could have used their own experience of education providers in the ACCA market to help them answer this part question. For example; it is possible to go on-line and watch presentations (allowing the possible candidate to view the lecturer and experience the teaching style), many web sites allow the download of sample course material and most make it very easy for candidates to register and pay their money. Candidates should not be afraid to using relevant practical experience when answering such questions.

Question Three

This question concerned a poorly executed evaluation, selection and implementation of a software package solution. The first part of this question asked candidates to suggest a robust generic process for the evaluation, selection and implementation of such a solution, explaining how this process would have prevented the problems experienced by the organisation defined in the scenario. This part question was worth fifteen marks. A range of generic processes were acceptable; the one presented in the model answer is just one possible approach.

Very few candidates focused on *a process* that encompassed evaluation, selection and implementation. Too many answers identified a problem in the scenario and then suggested how this might have been avoided. Such an approach did gain credit, but it tended to lead to long disjointed answers, with much repetition (with similar problems addressed through similar solutions repeated at length) and no overall coherent process.

The second part of this question asked candidates to reflect on whether the software package approach was the right approach in the first place. This reflection required candidates to explain, with reference to the scenario, the *advantages* of this approach to fulfilling requirements, compared with a bespoke solution. Only advantages were required, not disadvantages. This part of the question was worth ten marks. This should have been a relatively straightforward part question. All approved study material contains sufficient information for a well-prepared candidate to easily score eight marks or more. Many candidates did get good marks on this part question, but far too many quickly gave the advantages and then, at similar length, described the disadvantages of the software package solution, *which was not required*. Other candidates gave the advantages of a bespoke approach (also not required) and the disadvantages of the bespoke approach (for which some credit could be given if information was provided that had not already been included in the advantages of the package approach). Some candidates wasted a lot of time by inappropriately answering this question. Candidates are advised to read the questions very carefully.

Question Four

This question provided details of the financial case for a computer-based assessment project at an examining body. Categories of costs and benefits were valued and defined. Figures were discounted and a Net Present Value calculated. However, the analysis included a number of assumptions (for example; about the cost of maintenance) and also a number of the benefits and costs appeared to be subject to questionable quantification. These were just two of the factors that should have emerged in candidates' answers to the first part of this question, asking them to *critically evaluate* the presented financial case. This critical evaluation was worth fifteen marks.

As mentioned in the introduction to this report, similar questions, using debateable data and assumptions to support a business case, have been posed in the past and they will be posed again in the future! However, a significant number of candidates were unable to critically evaluate the numbers, with too many candidates just

repeating the information in words... 'the figures show that the initial software costs are \$200,000', or passing some subjective assessment unsupported by information given in the scenario; for example, 'the security figures look a bit high'. The point is that some of the costs and benefits were tangible and could be easily quantified in advance of the project. Others could only be quantified post-implementation and yet others (such as disruption costs) could not really be quantified at all. Yet all these costs and benefits were presented with the same apparent level of accuracy in an investment appraisal that just about produced a positive NPV in seven years' time. This question was the least popular of the option questions. Some candidates did get good marks, but too many produced inappropriate or sketchy answers that showed little understanding of costs, benefits, investment appraisal and the construction of a business case.

The second part of this question asked candidates to look at three specific concepts in benefits management; benefit owners, benefit maps and benefit realisation. A maximum of four marks was allocated to each of these concepts, up to a maximum of ten marks for this part of the question. In general, candidates knew little about benefit maps. They knew a little more about benefit owners, although it is the business that should own benefits, not the project manager. Benefits realisation has been the subject of a previous part question and candidates understood this concept relatively well.