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Advanced Performance Management

Read the mind of an APM marker

Contents

Introduction	3
Question 3	4
> Observations on the requirements	4
> Notes on candidate one's answer to Q3	5
> Notes on candidate two's answer to Q3	6
December 2017 exam marked answers	7
> Question 3 candidate one	7
> Question 3 candidate two	10

Introduction

I am a member of the team who will mark Advanced Performance Management. This article is designed to give you, the candidate, an insight into my mind, so that you can better understand what a marker will be looking for when it comes to marking your Advanced Performance Management script.

Insight into a marker's thinking – appreciating what we are trained to look for, what we award marks for, the reasons why marks may not be awarded – will help you fulfil your potential and gain the necessary marks to pass.

It will help you appreciate the points that will attract marks so that you can better assess your answers when practicing questions.

This article uses two candidates' answers to Question 3 from the December 2017 exam.

To support your reading of this article, you should refer to the September/December 2017 – Sample Questions.

[Click the link here.](#)

**Fulfil your potential
and gain the necessary
marks to pass.**

Question 3

Question 3 is very typical of Section B of the examination. It illustrates the importance of relating the assessment of an organisation (its performance/choice of measures) back to its mission/objectives/critical success factors.

Here the focus was on non-financial performance indicators (NFPIs) in a not-for-profit, public sector hospital.

- (a) Explain why non-financial performance indicators are particularly important to measure the performance of not-for-profit organisations such as TRH. (5 marks)
- (b) Justify one performance measure for each of the components of the value for money framework used at TRH and, using that measure evaluate whether TRH is delivering value for money. (10 marks)
- (c) Evaluate the extent to which the management style at TRH can be said to be budget constrained and advise on the implications of this approach for managing TRH's performance. (10 marks)

25 marks

Add value with comments relevant to the issue at hand.

Observations on the requirements

The 25 marks were, as is typical, split into three requirements:

Part (a) called for an **explanation** of importance, for just 5 marks.

Part (b) called for an **evaluation** of value for money using **justified** performance measures, for 10 marks.

Part (c) called for an **evaluation** of management style and **advice** on its implication for **performance**, for 10 marks.

Marks are normally awarded on the basis of 1 mark for each relevant calculation and 1 mark per point relevant to the evaluation/assessment, advice or explanation asked for. Where a full answer needs to address all of a specific number of issues, marks for any one issue will be capped at a maximum.

For example, in part (b), there are three components of the VFM framework, so a maximum of 4 marks was available for each of the 3Es. With an instruction to justify one performance measure for each component this can be broken down into one mark for a correct calculation and up to 3 marks for comments.

The **examiner's approach article** advises candidates, in answering the question requirement, to ask themselves if their answer would help the organisation and to add value with comments relevant to the issue at hand.

Notes on candidate one's answer to Q3

Follow this link to see candidate one's answer to Q3

[View it here](#)

Note 1

Mark for the general point that the objective of not-for-profit organisations is not to maximise the wealth of shareholders.

Note 2

Mark for drawing on the scenario to illustrate that TRH is a not-for profit organisation.

Note 3

Mark has for suggesting types of performance indicators.

Note 4

For more marks the answer needed to explain why NFPIs are particularly important in measuring performance in NFP organisations.

Note 5

Mark given for each of the measures linked to economy and efficiency. The mark for definition of the 3Es has not been awarded as the descriptions are too vague (e.g. should be *lowest cost*, *maximum* output and how well the achievement).

Note 6

No marks for suggesting additional measures linked to the objectives in the scenario, as the requirement was to apply the VFM framework.

Note 7

Mark given for the calculation of the measure. Simply restating in words that one amount is less than another amount earns no marks. However, one mark was awarded for linking the measure to other information in the scenario, as this adds value.

Note 8

Full 3 marks awarded for the calculation (1 mark) and discussion of efficiency (2 marks). Together with the mark for the measure (Note 5), the candidate has now reached the cap of 4 marks available for this "E".

Note 9

Although still under the heading of efficiency, this calculation (1 mark) and the comment linking the difference to economy (1 mark) actually relate to effectiveness (which the candidate recognises under their heading of effectiveness). These marks have therefore been awarded.

Note 10

Mark given for conclusion on evaluation of effectiveness.

Note 11

Of the maximum of 4 available for each of the 3Es, this candidate has been awarded 4 marks for efficiency and 3 marks for each of economy and effectiveness.

Note 12

Mark given for stating what budget constrained means.

Note 13

Mark for justifying why the management style at TRH can be said to be budget constrained.

Note 14

No marks are awarded for "pure theory". For further marks the candidate needed to advise on the implications of the management style for the performance of TRH.

The mark for candidate one for Q3 is 15/25.

TOTAL:

15/25

**No marks are awarded
for "pure theory".**

Notes on candidate two's answer to Q3

Follow this link to see candidate two's answer to Q3.

[View it here](#)

Note 1

Mark given for illustrating what is meant by a not-for-profit organisation.

Note 2

Mark given for illustrating why financial performance indicators are less important.

Note 3

Mark given for using TRH's objectives to explain the need for NFPIs.

Note 4

This is a sound answer as far as it goes. For full marks, an answer needed to consider, for example, funding and/or stakeholders or the implications of multiple objectives.

Note 5

No credit for restating what is stated in the question.

Note 6

Mark given for linking a suitable measure to economy and another mark for its calculation. Note that although the requirement asked for the justification of only one performance measure for each of the "Es", there is no negative marking. The candidate therefore wasted time in copying information from the appendix in the scenario and trying to make more than one comparison.

Note 7

Simply describing a lower amount as a saving earns no marks. Any discussion of the results of calculations must "add value" in order to earn marks.

Note 8

No credit given to the mere statement of a measure without any justification of its relevance to efficiency. A mark is given for the correct calculation. Again, copying out information from the question in the form of a table was an unnecessary waste of time.

Note 9

No mark given for repeating the results of the calculations in words. There is no discussion to support the view "TRH is delivering value for money".

Note 10

Credit given for linking readmissions to effectiveness. However, there is no calculation. Although the comparison of absolute numbers rather than a proportion shows that the candidate overlooked that TRH treats more patients than the national average, credit is given for the final comment.

Note 11

Of the maximum of 4 available for each of the 3Es, this candidate has been awarded 2 marks for economy, 1 mark for efficiency and 2 marks for effectiveness.

Note 12

Mark given for identifying budget constraint in the data provided.

Note 13

Mark given for an implication relevant to TRH's performance.

The mark for candidate two for Q3 is 10/25.

TOTAL:

10/25

Any discussion of the results of calculations must "add value" in order to earn marks.

December 2017 exam marked answers

Question 3 candidate one

(a)

As the name indicates, the organisation has been established not to make a profit nor to maximise a return for shareholders.

The objective of the organisation is the provision of services to the public such as in TRH, who provide medical treatments to their patients with no charge/payment. This kind of organisation is funded by the government and therefore they are unable to receive funding from elsewhere.

Their performance could be measured by non-financial performance indicators such as feedback obtained from patients treated in the hospital and other non-financial information.

(b)

Value for money is based on the three E's framework. These are:

- Economy: Obtaining inputs at low cost (in TRH's case, this would include doctor's salaries, and medicines). Performance measures that could be used here include monitoring the salary cost per grade of doctor.
- Efficiency: Looks at the output generated and compare this to the input. Performance measures that could be used here include monitoring the number of patients treated per doctor.
- Effectiveness: Looks at achieving the overall objectives of the organisation.

For the first objective, the measures could be the number of patients treated in the year.

For the second objective of TRH, the measure could be comparing the hospital's result with the other hospital based on the three Es.

For the third objective, the measure could be looking at the amount of contribution made to medical science at a national level.

Marks

1

1

1

**TOTAL – Part (a):
3/5**

1

1

0

0

0

Notes

← Note 1

← Note 2

← Note 3

← Note 4

← Note 5

← Note 6

Relevant notes

EVALUATION OF TRHEconomy

Total salaries of doctors/No of doctors

TRH: $\$3.75\text{m}/25 = \$150,000$ per doctor

National: $\$4.2\text{m}/24 = \$175,000$ per doctor

TRH has paid a lower salary per doctor compared to the national average and has remained within budget with regards to this measure. It should be noted however that the staff satisfaction rate remains low compared to the national average.

Efficiency

Number of patients treated/No of doctors

TRH: $24,375/25 = 975$ patients treated per doctor

National: $20,000/24 = 833$ patients treated per doctor

On average, at TRH, each doctor is treating 975 patient which compares favourably with the national average of 833 patients. It could be argued that TRH is maximising the efficiency of their qualified doctor workforce.

However, this statistic could be compared with the number of readmissions for TRH in comparison to the national average.

No of readmitted patients/No of patients treated

TRH: $1830/24,375 = 7.5\%$

National: $300/20,000 = 1.5\%$

The higher percentage of readmitted patients at TRH in comparison with the national average may indicate that the quality of service provided is low. This could be attributed to the low salary paid and that overtime is worked with no payment.

Effectiveness

One of the objectives of TRH is giving patients prompt access to high quality medical treatment. However, as mentioned in the efficiency section, the number of readmitted patients was much greater than the national average and therefore, it should be considered that TRH did not meet its objective of giving a high quality service.

Marks**1****0****1****3****1****1****1**

TOTAL – Part (b):
10/10

Notes

← Note 7

← Note 8

← Note 9

← Note 10

← Note 11

Relevant notes

(c)

A budget constrained management style focusses on meeting short term objectives based on the financial budget set.

In TRH, as a public sector hospital, its source of funding is from the government. It should be highlighted that the management team is targeted based upon meeting budget targets rather than focussing on the provision of service that is given to patients. This could be considered a budget constrained approach.

An implication of having a budget constrained approach is that it does not consider non accounting information when looking at performance management. It also does not consider the management of hospital staff performance. The management style therefore did not match the objectives that were set.

Marks

1

← Note 12

1

← Note 13

0

← Note 14

TOTAL – Part (c):

2/10

Notes

TOTAL
Q3:

15/25

Relevant notes

Question 3 candidate two

(a)

Non-financial performance indicators are particularly important for not-for-profit organisations such as TRH as their ultimate objective is non-financial - eg to provide free, high quality treatment to patients.

Therefore, financial performance is of little importance to such an organisation - eg it cannot generate a profit if it has no revenue.

TRH's objectives are giving prompt access to high quality medical treatment, the 3Es, and contributing to medical science which are all non-financial in nature. Therefore, TRH needs to use non-financial indicators to measure how well it is performing with regards to these objectives.

(b)

There are 3 performance measures used and these are economy, efficiency and effectiveness.

Economy is a measure of how much resources cost to perform an activity or service. In this case, an appropriate measure could be the total doctors' salaries including overtime and the average doctors' salaries including overtime. Under this measure, the following figures can be produced:

	TRH	National ave.
No of doctors	25	24
Total doctors' salaries	3.75m	4.2m
Budgeted total doctors' salaries	3.75m	3.2m
Average salary per doctor	0.15m	0.175m
Budgeted average salary per doctor	0.15m	0.13m

Given the figures, the number of doctors within TRH is slightly more than the average though not significant (only 1 extra doctor). The salary per doctor at TRH is lower than the national average which amounts to a significant cost saving.

Marks

1

1

1

TOTAL - Part (a):
3/5

0

1

1

0

Notes

← Note 1

← Note 2

← Note 3

← Note 4

← Note 5

← Note 6

← Note 7

Relevant notes

Under efficiency, a suitable performance measure could be the number of patients treated:

	TRH	National ave.
No of doctors	25	24
No of patients treated	24,375	20,000
No of patients treated per doctor	975	833

According to the calculations, TRH is treating 975 patients per doctor and the national average is 833 patients per doctor. In this case, TRH could be considered to be delivering value for money.

In terms of effectiveness, the performance measure is useful in determining whether high quality medical treatment is being delivered to patients. We could compare the number of patients readmitted to TRH with the national average:

	TRH	National ave.
No of patients readmitted	1,830	300

As the number of readmitted patients to TRH is much higher than the national average, it could be considered that TRH is not achieving its overall objective of high quality.

(c)

The management style at TRH can be said to be budget constrained as despite achieving their total financial budgets, the doctors work longer hours at TRH than their counterparts do on average in other hospitals. They are often not paid for the overtime hours that are worked.

This may be impacting upon the level of treatment provided to patients and critically the number of patients readmitted.

Marks

1

0

1

0

1

TOTAL – Part (b):
5/10

1

1

TOTAL – Part (c):
2/5



Notes

← Note 8

← Note 9

← Note 10

← Note 11

← Note 12

← Note 13

TOTAL
Q3:

10/25

Relevant notes

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