

# Examiner's report

## P3 Business Analysis

December 2011



### General Comments

The overall performance in this examination was much better than in the June 2011 sitting. Not only was the pass rate higher, but there was a significant number of excellent scripts. I personally marked three scripts that scored higher than 90%. Such scripts show what can be achieved on this paper. Overall, candidate answers seemed better focussed than usual and some high scores were recorded in relatively short answer booklets. For example, a script that scored 94% only used 18 pages of the script booklet. I still feel that many of the 'time management' problems cited by candidates are actually self-inflicted. Too many scripts still describe, too fully, models or frameworks that need to be applied or used. Furthermore, small sub-questions (for example, question 3a where each type of review was only worth 2 marks) are over-answered with some answers being over two pages long for a maximum of 6 marks.

The first part of the compulsory question was relatively well answered, although too much duplication of points and descriptive detail about models may have led to subsequent time problems. Candidates overwhelmingly elected to answer questions two and three in the optional section, Section B. In these questions, question 2b and question 3a and 3c were answered particularly well.

Question four was taken from a relatively new area of the syllabus and concerned pricing and linear regression. Both areas have been relatively well signposted, with articles in Student Accountant and a pilot paper question along similar lines. However, few candidates attempted this question and even fewer did it well. A significant number of candidates who attempted the first part of this question (on pricing) made no attempt at the second part (on linear regression) at all.

### Specific Comments

#### Question One

The case study question concerned a private rail company (GET) that was under pressure in its home environment and is proposing to bid for a privatisation rail contract in another country.

The first part of this question was worth 20 marks and required candidates to analyse GET's strategic position from an internal and external perspective. Overall, this was answered well with some candidates getting full marks. Most candidates made good use of the financial data provided in the scenario. However, some answers, despite scoring well, displayed elements of poor examination technique that probably led to later time problems in the examination. Specifically, candidates were not required to describe selected models and frameworks in depth. Some answers described frameworks such as Porter's Five Forces at great length and this was not needed. The question requires application, not description. Secondly, the injudicious selection of frameworks often led to the same points being needlessly repeated (for example, in the PESTEL and the SWOT analysis) and marks can only be given once. Candidates are also reminded that not all elements of a PESTEL analysis are bound to appear in the case study scenario or that relevant points will be evenly spread amongst the six influences. Also, technology (in PESTEL) refers to external technological change, not to the internal technological resources of the organisation.

The second part of the first question was worth 16 marks and asked candidates to write a report evaluating GET's proposed business strategy. 4 further professional marks were available for the appropriate structure, style and fluency of the report. This was less well answered than the first part of the question. Many candidates struggled to impose a structure on the answer and, although many used the suitability, acceptability and feasibility framework, they often repeated themselves and failed to make enough distinct points to get the marks on offer. Surprisingly few candidates tied their answer to their strategic position analysis, the first part of the

question. The proposed strategy concerns an opportunity, and candidates might have considered this opportunity in the context of the strengths, weaknesses, threats and indeed, alternative opportunities, identified in the previous part of the question. This would have revealed that some of the company's strengths are largely irrelevant in the proposed strategy (for example, the internet booking system) and some weaknesses (gearing and ROCE) might make funding such a proposal impossible. Similarly, candidates might have dwelt on how the proposed strategy addresses the threats to GET identified in their position analysis. Very few candidates identified that the nature of the proposed franchise (trains but not tracks) was fundamentally different to GET's home country experience and raised important elements of risk. Some candidates also made the mistake of perceiving GET as the franchisor, not the franchisee, and hence included much irrelevant comment on its strategy. Candidates must also stay within the bounds of the case study scenario. Nowhere does it say that SOFR will be 'hugely expensive to acquire'. Overall, the answers were average, and they should have been much better.

The final part of this question asked candidates to explain and discuss the concepts of Critical Success Factors (CSFs) and Key Performance Indicators (KPIs). Many candidates appeared to be unfamiliar with this part of the syllabus and this is reflected in the average mark for this part of the question. Some candidates merely changed the sequence of the words; stating that 'critical success factors are the factors that are critical to the success of the business', and then listed the strengths of GET. The focus of the answer really needed to be on what the customer values and where the organisation has to excel to outperform the competition. Some candidates did not consider the rail industry at all, framing their answer in the context of a manufacturing company or a university.

### **Question Two**

Question two asked candidates to analyse the culture of a computer software company and to comment on the implications of their analysis for the future performance of the company. This part of the question was worth 13 marks. Most candidates appeared to be familiar with the cultural web, but they seemed happier to describe its constituent parts, rather than use it as a basis for analysis. Thus many questions were long on description but short on analysis. For example, many candidates identified long working hours and certain social activities (computer games, football) as issues, but did not suggest that these were likely to discriminate against people with families and other interests and commitments. They failed to recognise that this young, male oriented, environment was likely to lead to the high labour turnover that the company experiences, as well as the problem of recruiting and retaining female staff. High labour turnover leads to increased recruitment and training costs which affects the overall profitability of the enterprise. Other problems are also likely to arise from an unbalanced work force engaged in vacuous technical one-upmanship with their managers. The question asked for analysis and implications, not the classification of information given in the scenario into the constituent parts of the cultural web.

The second part of the question asked candidates to assess the suitability of the company's approach to three high-level processes. Most candidates used Harmon's process-strategy grid in their answer and they used it very well, leading to some excellent marks. The only significant issue in some answers was the unnecessary descriptive detail of the grid itself. The question does not ask the candidate to describe an appropriate framework, but to use it. A brief introduction to the framework would have sufficed. Again, too much description may have led to some candidates experiencing time pressure later in the paper. Some candidates tried to apply the suitability, acceptability and feasibility framework to this part question but the approach did not really work, leading to long theoretical answers that scored few points.

### Question Three

The third question focussed on post-project reviews, post-implementation reviews and benefits realisation. The first part of the question asked the candidate to explain the purpose of each, and many candidates scored well in this 6 mark question. However, a significant number of candidates were unable to distinguish between the different types of review, and so scored poorly.

The second part of the question asked candidates to evaluate the problems and lessons learned from a post-project review and a post-implementation review at the company described in the question scenario. This was worth 12 marks. Too many answers described what went wrong, rather than evaluated its effect and lessons learnt. Here is a possible approach that a candidate could have taken.

- **Issue** – late allocation of order administrators full-time to the project
- **Effect** – caused project to slip as administrators still had to undertake normal duties
- **Effect** – software was delivered two months behind schedule
- **Lesson learnt** – user resources need to be allocated full-time to the project. They cannot perform their usual job and still fulfil project requirements

Too many answers just described the issue or one effect. Finally, the candidate was asked to identify potential benefits to the case study company of the electronic ordering system described in the scenario. This was relatively well answered, although too many answers described features not benefits. Speed of processing is a feature, not a benefit in itself. The candidate has to identify what benefit this feature offers the organisation. For example, it might reduce the cost of handling an order. Finally, some candidates tried to use the 6Is in their answer, but really these were not particularly relevant here.

### Question Four

As mentioned earlier, relatively few candidates attempted this question. Of those that did, a significant number only answered the first part of the question.

The first part of the question asked candidate to identify and discuss the factors that need to be taken into consideration when pricing the e-learning product described in the scenario. This was answered moderately well. Many answers were very theoretical and did not address the situation described in the scenario. For example, few candidates explored different pricing models for different sectors (Individual consumers, large commercial companies, training intermediaries) or recognised that the product itself had not yet been launched. There is no data showing how demand for the product might react to price changes. Some candidates had obviously read Ken Garrett's article in Student Accountant, but they were happier regurgitating its structure and content, rather than using it as a framework for considering the pricing of the particular product described in the scenario. Finally, many candidates strayed into a discussion about the benefits of e-learning to the learner, making points which were irrelevant to the pricing of the product.

The second part of the question asked candidates to evaluate how two sets of statistical data could assist the pricing of the e-learning product. The candidate was invited to highlight any limitations in the data. Very few candidates actually used the numbers in any constructive way. Answers relied on generalised statements about the model and its assumptions. This was very, very disappointing. Please look at the published model answer to see how these sets of data could have been used in framing an answer to this ten mark part of the question. Very few candidates achieved a pass mark on this part question.