

# Examiner's report

## P3 Business Analysis

December 2015



### General Comments

The examination consisted of two sections. Section A contained one question for 50 marks and Section B contained three questions of 25 marks each, from which candidates had to answer two questions.

Overall, performance in this paper was better than in recent sittings. Many candidates produced very good answers and there was evidence of good time management, with most candidates fully completing three questions. Most scripts were well presented and readable.

However, for future reference, candidates are reminded to;

1. Use the quantitative data provided. It is there for a reason and some simple calculations and analysis will be rewarded.
2. In most questions, only a few marks can be given for theoretical answers. The bulk of the allocated marks are for the interpretation of the information provided in the scenario in the context of some theoretical framework.

### Specific Comments

#### Question One

The possible acquisition of a company has been the theme of many P3 questions. The first part of this question echoed this theme, asking candidates to identify and discuss benefits and advantages of a particular acquisition. This was worth 19 marks. Many candidates used the SAF framework in their answer (suitability, acceptability and feasibility). This was perfectly acceptable and generally led to good answers. However, candidates are reminded that elements of such frameworks are unlikely to be equally balanced in any examination question. So, there may be little to say about feasibility and a lot to say about suitability. This is usually the case in the real world as well as in the constrained world of examination questions. This observation is likely to be true of most frameworks. For example; in a question on Porter's Five Forces it may be possible to make many points (and so gain marks) about the potential threat of new entrants. However, there may be less to say about the threat of substitute products. So always tailor your answer to the balance of points described in the scenario. However, despite this caveat, overall this part question was well answered by most candidates.

Strategic change, particularly using Balogun and Hope Hailey's contextual model has also been a regular question in the past. It was the basis for the second part of the question, worth 15 marks and focused on the specific contextual features of time, preservation, diversity, capability and readiness. There was one mark available for an appropriate description of the feature itself, as most are not obvious from their title. So, a reasonable description of what is meant by time in the Balogun and Hope-Hailey model gained the candidate one mark. However, beyond this, marks are only given for answers that apply the contextual feature to the case study. For example; recognising that the reasonable financial state of A2K meant that there was no rush to implement strategic change, except, perhaps, in recognition of the need to preserve the key training and e-learning resources. Candidates are reminded that their answers should primarily focus on application, interpretation and analysis, not the description of features of the model. This part question was not answered particularly well. Too many candidates are still not familiar with the meaning of the contextual features as defined by Balogun and Hope Hailey and so rely on 'common sense' interpretations that are usually wrong.

Finally, organisational culture is a significant issue in both the evaluation of the acquisition and, if the acquisition goes ahead, in post-acquisition activity. This was the basis of the final part of this question, worth 12 marks. Candidates were steered towards two evaluation models; the cultural web and Mintzberg's organisational configurations. Generally, candidates were more confident about the cultural web and were able to apply it to the



scenario. Fewer candidates picked up on the implications of the different organisational configurations of the acquirer and the acquired and the likely problems this would cause. This part question was answered fairly well. The model answer allowed for a wide range of potential approaches to the discussion of organisational culture.

Four professional marks were available for answers that were clear, had an appropriate tone and vocabulary and adopted a professional approach.

### **Question Two**

Investment appraisal and its role within the wider business case is recognised in the syllabus. The first part of this question concerned a critical evaluation of a presented investment appraisal, or cost-benefit analysis. This critical evaluation was worth 15 marks. The evaluation included marks for the identification of the method being used (simple payback) and the advantages and disadvantage of this approach to investment appraisal.

Beyond this, candidates were expected to comment on the relevance of the costs and benefits used in the investment appraisal. For example; they should have recognised that preparation costs are sunk costs and so should have been omitted from the analysis. Also, the estimated hardware cost should be accurate as it reflects an estimate prepared by the preferred supplier and so this is likely to be a legitimate, accurate cost in the investment appraisal. However, too many candidates questioned the actual cost itself. For example; suggesting that hardware might be cheaper from another supplier and that a proper evaluation of alternatives should be considered. Thus they were questioning the value of the cost, not the inclusion of the cost in the investment appraisal. This is the wrong approach and is reminiscent of the faulty evaluation of Critical Success Factors and Key Performance indicators (KPI) in a previous examination where candidates focused on the value of a performance objective associated with the KPI (a ROCE of 5% seems very low to me), rather than the usefulness of the KPI itself. On the positive side, candidates handled benefits a little better, often cross-referencing them to the classification suggested by Ward and Daniel.

Project management is explicitly considered in the syllabus. Part of project management is project planning, and this was the focus of the second part of this question worth ten marks. The suggested answer scheme allowed a wide range of issues to be considered as part of project planning. However, even allowing for this, too many candidates strayed too far into project conduct, project monitoring and project evaluation. Indeed many described the whole project life cycle, providing many points that could not be awarded the marks on offer for project planning. Candidates are advised to read the question carefully and to answer within the scope of the question. Marks cannot be awarded for answers that are legitimate, but irrelevant in the context of the question.



### Question Three

The examination continues to reflect the fact that the analysis and redesign of processes is an important part of organisational change. The first part of this question, worth 16 marks, was concerned with the diagnosis of problems in a current business process. Candidates were asked to identify and explore four problems and to suggest how each of these problems could be addressed. Generally this was well answered. However, two issues need highlighting.

- 1) Candidates should ensure that each of their four identified problems is distinct and clearly delimited in the answer. Numbering each problem would be helpful, or using introductory text such as ‘the first problem that I have identified is...’
- 2) Candidates should also recognise that such questions require the application of knowledge, not the regurgitation of knowledge. Reducing the number of swim lanes (actors) involved in the process is indeed a legitimate approach to process redesign. However, this has to be presented within the context of the scenario; for example; ‘removing the administrators from the process reduces the number of actors involved in the process and this will lead to the following benefits...’

The second part of this question focused on how job redesign is an important part of process redesign. This was worth nine marks and a wide range of answers was anticipated by the marking scheme and would be given credit. Unfortunately, candidates did not seem that familiar with this part of the syllabus and so this part question was not answered particularly well. In fact many candidates just repeated detailed points from their answer to the first part of the question. Both lecturers and candidates should ensure that all areas of the syllabus are covered.

### Question Four

Environmental threats are particularly significant if the organisation has significant internal weaknesses that make it vulnerable to such threats. This was the theme of the first part of question four, essentially asking candidates to explore two quadrants of the SWOT analysis in the context of a proposed divestment. This was worth 15 marks. This was a popular question and was relatively well answered. The only significant point to make is that candidates should make sure that any threat or weakness is current and is not in the past and as a result is no longer relevant to the analysis. For example, if a recession is over, then it is no longer a threat.

Organisations giving charitable donations is a controversial issue. Some shareholders believe that such donations are not in the best interest of the shareholder and also that organizations may not understand the implications of their benevolence. This was the topic of the second part of this question, worth ten marks. Ethics and corporate governance are important themes in the ACCA qualification. Many candidates did answer this question relatively well, quoting appropriate sources. However, too many candidates did little more than repeat the statements made in the scenario, providing no theoretical context for such positions. Furthermore, many candidates were unable to coherently put the case for the disgruntled shareholder’s perspective, instead suggesting that he should accept that the organisation’s donation was beyond questioning or reproach. This part question obviously related to issues and dilemmas that have been considered in other exams in the ACCA qualification. Candidates should not shy away from using such knowledge in P3 answers. The examinations are not silos.