

Examiner's report

P3 Business Analysis

March 2018

General Comments

The P3 examination consists of one compulsory question, worth 50 marks, based on an extended scenario and three questions, each worth 25 marks, based on shorter scenarios. These three questions are in Section B of the examination and the candidate is required to answer two of these questions. In general, candidates preferred to answer questions 2 and 4. Question 2 was the most popular question, with very few candidates choosing to only answer questions 3 and 4.

In general, performance in question 1 was reasonable, although many answers did show lack of knowledge in certain syllabus areas and this depressed the average mark. It appears that some candidates are still choosing to ignore certain areas of the syllabus, leaving them vulnerable to questions which range widely across that syllabus. Question 2 was answered well, particularly the first part, on portfolio analysis. Question 4 was answered well by candidates who had properly studied the project management part of the syllabus. Question 3 was not answered particularly well. Many candidates failed to identify significant problems (often relying on problems that they just made up) and many were also unfamiliar with job design principles required in the second part of the question.

In contrast to recent sittings, there were a considerable number of poorly presented scripts, using poor handwriting to obscure a lack of knowledge. This is very disappointing, as well as leading to low professional marks.

Specific Comment

Question One

The question concerned a specialist book company (ABC) which had failed to react to significant changes in its environment. These changes had led to a decline in company performance and its eventual sale to new owners. These new owners have proposed a strategy that reflects a newly developed mission statement for the organisation, which will eventually be supported by Critical Success Factors (CSFs) and Key Performance Indicators (KPIs). The question covered a relatively wide range of syllabus content. Although, candidates did, on the whole, score reasonably well in this question, there were few outstanding answers. It was clear that many candidates were not familiar with all elements of the syllabus. For example; a candidate might produce an excellent answer to strategy lenses (part b) but a poor answer to CSFs and KPIs, reflecting a lack of detailed knowledge in this area. Candidates are reminded to study and revise the complete syllabus. Do not try to question spot.

The first part of the compulsory question required candidates to evaluate the overall organisational performance of ABC with particular reference to the concept of strategic drift. This was worth 12 marks. Strategic drift takes place when established strategies fail to address the changed strategic position the organisation finds itself in and so organisational performance gradually deteriorates. There was plenty of evidence for this at ABC where well-established strategies, such as increasing display advertising and price discounting, failed to take into account changes in the external environment. A significant amount of data was provided in the scenario for the candidate to calculate and comment on organisational performance and changes in consumer buying

preferences. Many candidates failed to use the data effectively and did not make enough distinct points to earn the marks on offer and so performance in this part question was not as strong as it should have been. Furthermore, some candidates wasted time by suggesting strategies for improving performance. This was not required by the question and candidates are reminded to stick to the question actually being asked.

The second part of the question required candidates to analyse the approach to strategy of both the present and future owners of ABC, within the principles of the three strategy lenses; design, experience and ideas. This part question was worth 12 marks. Candidates scored reasonably well on this part question, although the application of the lenses was often less successful. The current owner had focused on developing strategy through experience and then through ideas. The new owners had proposed a strategy that was essentially a rational design, implemented top-down through the organisation. Many candidates failed to correctly allocate the lens to the appropriate owner, and relied on 'common-sense' descriptions (strategy by design is when a strategy is designed), rather than appropriate definitions.

The third part of the first question asked candidates to discuss the concept of Critical Success Factors (CSFs) and Key Performance Indicators (KPIs) in the context of ABC and to identify and justify CSFs and KPIs for the company under its new owners. This part question was again worth 12 marks. There is a distinction between CSFs, KPIs and performance objectives. Critical success factors (CSFs) are key elements of organisational performance that the management of the company believe to be fundamental to, or indicative of, the success of the company. Key Performance Indicators (KPIs) are defined to allow performance in a CSF to be quantified. There are often several KPIs for each CSF. The KPI itself **does not include the actual value of the measure**, this is specified in a performance objective. These performance objectives are likely to change over time (to reflect changing trading conditions and aspirations) but the basis of the measurement will stay the same, unless it is agreed that the KPI is a poor measure of the CSF, or indeed if the CSF itself is deemed to be no longer relevant. So, for example, a CSF might be profitability, a KPI, Return on Capital Employed (ROCE) and a performance objective, a ROCE of 25%. Very few candidates correctly made this distinction, often confusing KPIs with CSFs and performance objectives with KPIs. Clues to the CSFs were presented in the question, but were often ignored by candidates who, instead, suggested CSFs which had no relationship to the scenario at all. Candidates are reminded to ensure that their answer relates to the scenario being examined.

The final part of the first question was worth 10 marks. It asked candidates to discuss the meaning and value of a mission statement and to evaluate the mission statement given in the scenario. The candidate was also invited to discuss how integrated reporting can be used to reinforce mission and performance objectives. Many candidates answered this part question reasonably well, recognising that the suggested mission statement was actually quite good, in the context of the value of mission statements as a whole. Some candidates also introduced the Balance Scorecard into their answers, using this as a basis for CSFs and this was a helpful framework on which to base a good answer.

Professional marks were awarded for. In general, answers were not as well presented or structured compared to recent sittings. There were too many scrappy, unfocused, irrelevant answers that failed to impress in the context of a professional approach to answering the question.

Question Two

The scenario for question two provided data about three companies in the portfolio of a group. The first part of the question (worth 15 marks) asked candidates to analyse the performance of each company and advise an appropriate strategy for each. This analysis should include a consideration of the position of the company on the BCG and Ashridge matrices. In each case, the candidate was asked to discuss whether the parental developer approach was appropriate.

This was a popular question and was well answered by many candidates. Again, as in the past, classification using BCG was better than the classification using the Ashridge matrix. However, despite this, many candidates scored ten or more marks in this part question. Some candidates forgot to reference the parental development role for each company. Some candidates provided long descriptions about each model or framework. This must be avoided unless it is specifically asked for.

The second part of this question asked candidates to discuss the principles, advantages and disadvantages of benchmarking. This was worth ten marks. This was a relatively straightforward question which has been asked before. It was reasonably well answered, although some candidates forgot to frame their answer in the context of one of the companies stated in the requirement. They often fell back on generic answers, or in some cases, actually applied it to the wrong company.

Question Three

The scenario for this question described a process which was also presented in a flowchart. It asked candidates to clearly identify four problem areas, explaining how each reduced value in the process. For each area, the candidate was asked to suggest how this problem could be addressed in a re-designed process. There was no need to draw a redesigned flowchart. This part question was worth 16 marks. In principle, marks were allocated as follows:

- i. Identifying the problem
- ii. Explaining why it was a problem in the context of value
- iii. Suggesting a solution
- iv. Explaining how the solution addressed the problem

Some answers were very strong and scored significant marks. However, too many answers identified problems which were not really problems in the *context of the scenario*. Candidates are reminded to stay within the scope of the scenario. Do not suggest problems and solutions which are unrelated to the context. For example; unauthorised purchase of products for personal use may be a problem in a procurement process, but it was not identified as a problem in the specific procurement process described in the scenario presented in this examination paper. Candidates should not suggest generic or stereotypical problems which they have essentially made up!

Furthermore, if FOUR areas are requested, clearly identify these four areas for the marker. This is about professionalism. If your manager at work asked you to come up with four potential improvements, you would not come up with six or (as in many answers), a long list expecting your manager to pick out the four for you. Your manager would ask you to re-structure your suggestions. So, treat the marker like you would your manager. Be professional in your answers.

The second part of the question, worth 9 marks, asked candidates to describe three approaches to job design; scientific management, job enrichment and Japanese management and to discuss their suitability to the jobs in the process described in the scenario. This was not answered particularly well and few candidates tried to make appropriate cross-references to roles in the scenario.

Question Four

The scenario in this question described the poorly managed progress of a project. Candidates were asked to analyse how a formal terms of reference (project initiation document) and a business case would have helped address the problems encountered in the project. This was worth 13 marks. This part question was answered fairly well, although many candidates spent too long defining the contents of a terms of reference (or project initiation document) and the business case. This was not the focus of the question. Analysis was required, not description. Some candidates also strayed into general comments on running the project, which were not related at all to the two documents specifically identified. Candidates are reminded to stay within the scope of the question.

The second part of the question asked candidates to distinguish between a post-implementation review, a post-project review and a benefits realisation review and to analyse the value of each of these in the context of the scenario. This part question was worth 12 marks. This question has been asked before in exactly the same format, but applied to a different scenario. In general, candidates were more familiar with the post-project and the benefits realisation reviews. A significant number of candidates believed that post-implementation reviews took place during the project, confusing them with gateway reviews. Obviously such answers could not be given any credit.