



Examiner's report

Advanced Performance Management (APM)
March 2019

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for future candidates.

General Comments

The examination comprised two sections, A and B. Section A consisted of one compulsory question for 50 marks in total. Section B consisted of two compulsory questions for 25 marks each.

The majority of candidates attempted all parts of all questions and there was no more evidence of poor time management in terms of completing the exam than is normal for APM.

This is the third diet at which there was no choice of questions in section B of the exam and the examination team felt that a number of candidates may have been caught out by this, having not prepared to answer questions across the whole syllabus.

We would strongly advise that candidates use the examiner's reports and approach articles to ensure that they have the right overall attitude to APM, which is intended to lie at a post-graduate level. Most examinations require a balance of memory work and evaluation/analysis. However, as one goes through the levels (say from MA to PM to APM) this balance changes, from pure memory to more analysis. Good candidates distinguish themselves by being aware that if they come to this examination expecting to repeat memorised material, they will probably score only between 20% and 30%. Many candidates have clearly been taught that they should define in their answer any 'jargon' terms in the question requirement. However, they are wrong to assume that this alone will provide them with a passing answer at APM which is principally about application and evaluation in a business scenario.

There appears to be a lack of understanding of the level of answer expected, which gives the impression that the majority of candidates are underprepared.

The first step to passing APM is to have a good grasp of the basic knowledge. At this diet, a lack of such knowledge was particularly clear in: question 2(a) on activity-based management (ABM) and question 3(a) on value-for-money (VFM) analysis.

Without this knowledge, candidates cannot apply methods and then, have little information to evaluate. They often seem to offer answers that are based on a question that they can answer/understand rather than the one asked in the exam. See question 1(iii) and question 2(b) for examples.

Building upon that basic knowledge, candidates need to be aware that performance management is an area which, at an advanced level, is dependent upon situation and environment - as exemplified by the need throughout the examination to relate or illustrate points by using the information relating to the business in the question scenario. An acceptable, professional-level answer will go beyond the mere repetition of how a technique works and focus on relating it to the entity's specific environment. As in previous diets, it was clear to the marking team that those

candidates that had grasped the need for this went on to pass the exam. See question 1(ii) as an illustration.

This issue, then, leads directly to the well-worn advice to candidates to 'answer the question asked'. There are several detailed examples in the discussion below where candidates answered a different requirement from the one asked or simply ignored a part of the requirement (and thus the marks on offer). For an example see question 1(iii), which provided many illustrations of answers that unnecessarily re-performed the given Mendelow analysis but failed to give measurement and management advice arising from the original work as requested in the scenario.

Finally, and critically, in order to pass APM, candidates need to be capable of analysing and evaluating the whole situation in the scenario using their technical knowledge. This is fundamental to the marker's judgement of whether they are competent at this level. Thus, it is important to consider the overall effect of advice. For example, in question 2(a), many candidates suggested re-allocating overhead costs between product categories without considering the impact of this advice on the profits of the business overall.

Specific Comments

Question One

This question required the candidates to consider issues of performance reporting and stakeholder management at a family-owned, national retailer. Overall, this question was done fairly well, as it mainly covered frequently-examined, core topics in the syllabus.

Part (i) required an evaluation of the performance report of the company. This part was generally well done with most candidates rightly focussing on the question of whether the report measures the achievement of the organisation's stated objectives. Candidates again showed a tendency to use a template approach to these types of question (probably obtained from a technical article on the topic). However, while it is encouraging to see those who have made efforts to prepare, they need to use this preparation more thoughtfully in order to avoid wasting time on less relevant matters in the examination. The principal question to answer is 'does the report tell the reader whether the business is achieving its mission/objective(s)?' Therefore, candidates have to identify the objective(s) (and any hierarchy amongst these) and then assess how the report given measures their achievement. Other issues such as audience, information and layout are likely to be very much secondary to this issue.

A notable minority of candidates continue to respond incorrectly to such a requirement with an evaluation of the performance of the company. Sadly, this can only reflect a failure to look at past exams, the examiner's reports and the various approach articles and videos where this error of understanding has been pointed out on many occasions.

A detailed problem in a number of answers was the assumption and lengthy discussion of what a specific external party would make of the report. The report was for board use in strategic performance assessment and so, it would be very unlikely that such a confidential document would be shown externally without considerable editing.

Part (ii) required an assessment of how the existing metrics in the strategic report can be used to address the requirements of integrated reporting focussing on three of the capitals. This part was

the most weakly answered requirement in this question. Candidates gave a broad definition of integrated reporting and its benefits but failed to address the three capitals that were specifically mentioned in the scenario. Those that did try to do this often only discussed those topics in generality without mentioning the specific '*existing metrics*' in the report. As a result, the majority of answers gave an outline of the concept without applying it to the specifics of the scenario.

Part (iii) required the candidates to take an already performed Mendelow analysis and identify and justify approaches in performance measurement and management which should be used in relation to the stakeholders based on this work. The question was clear on this point '*The CEO would like to take this analysis further by identifying and justifying approaches in performance measurement and management which should be used in relation to the stakeholders based on this work.*'

The answers to this question often scored around 50% of the marks but the examining team felt that candidates had left relatively easy marks unscored by failing to discuss approaches in managing the stakeholders and what metrics were appropriate for each of them. Many candidates did not seem to recognise that 'the management team' were the people who run the company at present and treated them as if they were simply another group of investors.

A significant number of candidates wasted time by re-performing the Mendelow analysis which was not required.

Future candidates would do well to practice identifying the issues for their audience from the scenario so that they can narrow the focus of the question that they are trying to answer. A detailed question is usually easier to answer than a broad one.

Part (iv) required a calculation of economic-value added followed by a discussion of the result and the use of this metric. The calculation part of this question was reasonably well done. Answers to the discussion of the result were frequently poor with many candidates who obtained a negative result describing this as a situation where the company was not adding value. This materially misrepresents the truth that the company is actually destroying value in those circumstances. It is similar to saying that a result of $-\$8m$ is qualitatively the same as one of $\$0$.

As is now common at APM, those candidates who had practised writing professional answers prior to the examination performed admirably in the presentation area (4 marks). The markers were looking for suitable report headings, an introduction, a logical structure, signposted by the good use of subheadings in the answer, and a clear, concise style. Performance in this area was generally fairly good.

Question Two

This question dealt with issues around the introduction of activity based management (ABM) at a manufacturer of windows and related products. This was the most poorly answered question of the three in this exam with many candidates generally aware of activity-based costing but much vaguer on ABM.

Part (a) of the question asked how ABM could help improve the strategic performance of the company. Some candidates took the productive path of discussing the general benefits of the method and then illustrating each of these for the relevant products. Many candidates though took

the approach of treating each product type individually which lead to answers which repeated the same general point several times (wasting time) and not discussing the impact of their advice on the business overall.

Part (b) of the question required candidates to assess the limitations of using ABM in context and the problems with its implementation. Candidates provided fair answers on the general problems of identifying cost drivers and issues in resourcing the implementation of ABM. However, their lack of knowledge of ABM lead to generally weak answers, lacking in detail relevant to the company. There were a number of candidates who provided the benefits of ABM again in this part so not answering the question.

Question Three

Question 3 examined the issues around the value for money (VFM) provision of education and then, the production of league tables for schools across a country.

Part (a) required an evaluation of whether two schools were delivering VFM. The answers to this part very much reflected the candidates' basic knowledge. Most candidates could not provide the definitions for each of the 3Es given in the question. As a result, they scored very poorly on the application of these concepts to the overall evaluation. Those candidates who knew the definitions of the 3E's were generally able to provide good answers to this part.

Future candidates need to ensure that they are comfortable with the basic knowledge of APM as otherwise; they will be unable to begin to answer questions which will feature the application of these concepts to specific scenarios.

Part (b) required advice on the problems of producing and publishing league tables using illustrative data given in the question. Answers to this part were generally poor with candidates able to identify the issues from the scenario but not able to discuss these in detail, especially the issues around calculating the ranking in the league table.

This question may illustrate the danger of question spotting or not studying the full APM syllabus. The exam is now fully compulsory and so candidates must prepare to answer questions on any part of the syllabus. It also illustrates the general point that candidates are expected to have improved on their ability to apply methods learned in earlier examination levels to different and more complex scenarios in APM.