

Examiner's report

Advanced Performance Management (APM)

September 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 was comprised of 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.

There have been a number of diets of APM where all questions in section B of the examination were compulsory. However, the examination team continue to feel 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. This lack of understanding of the level of answer expected 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 1 (iv) on value chain analysis and question 3 on risk and uncertainty.

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 examination. For examples, see question 1 (iii) [information for different management levels] and question 2 (b) [difficulties of the balanced scorecard].

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 examination.

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 examples, see the detailed discussion of questions 1 (ii) and (iii), also, 2 (b) and 3 (a).

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 1(i) on performance reporting, many candidates talk about the need to avoid data overload but go on to suggest many additional indicators without giving thought to prioritising or editing them.

Specific Comment

Question One

This question required the candidates to consider issues of performance reporting, measurement and management at a world-leading, listed manufacturer of production machinery. 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 reporting system at the company.

This is a particularly common topic for examination although candidates should not assume it will appear in every diet. As a result of this, candidates appear reasonably well-prepared and the question was reasonably well done. Good candidates focussed on the high priority question of whether the report answers the question of whether the company is achieving its objective(s). Weaker answers over-concentrate on minor issues of presentation and often, spend much time suggesting large amounts of additional information which would overload the users without sufficient justification. This may reflect an inability to take the wider (strategic) view of the information needs of a board.

There has been much evidence in past questions on this subject of the use of technical articles and textbooks to provide lists of topics to consider in providing an answer to such a question. This template approach was present in this diet too. However, as has been previously commented in past examiner's reports, such template approaches must be tailored to the specific scenario presented in the examination. This is the skill being tested. The candidates who focussed their work appropriately demonstrated this skill and scored accordingly.

A decreasing but still 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 examinations, their examiner's reports and the various approach articles and videos where this error of understanding has been pointed out on many occasions. Additionally, this demonstrates failure to read the scenario where it was made clear that the CEO wanted the report evaluated and not the performance of the company.

Future candidates should think about the audience of their answer and not bombard the strategic level with tactical and operational detail. They should practise the tailoring of template approaches in the context of specific scenarios (for example, by using past examination questions).

Part (ii) required an illustrative calculation of economic value added (EVA™) along with a brief explanation of its benefits as a replacement for return on capital employed (ROCE).

The calculations of economic value added were generally fairly good with adjustments to NOPAT being generally better done than those on the capital employed part of the exercise. With weaker answers, there was often a lack of care, for example, tax paid was often added back to operating profit (although it is not present in its calculation) rather than being deducted in arriving at NOPAT (which candidates should recall stands for Net Operating Profit After Tax).

The second part of the question was more weakly done, which surprised the examining team as this is a common type of follow-up to the request for an economic value added calculation. The weakness reflected poor attention to detail as the question did not ask for the benefits and faults of economic value added but instead required a comparison of the benefits of economic value added compared to ROCE. Many answers solely discussed the benefits and problems of economic value added without the comparison and this meant that fewer marks could be awarded.

Part (iii) required the candidates to provide a brief description of the nature of the information required for performance measurement at three different levels (strategic, tactical and operational) and explain how this information is influenced by the extent of planning and controlling activity at each of the levels of the performance hierarchy. Examples which would be relevant to the company were requested to illustrate these points.

Generally, this question was reasonably well done. Those who used this requirement to structure their answer by dividing their answer by the levels and then discussing the nature of the information needed and then how this is affected by planning/controlling mix scored well. They used suitable examples relevant to the company to illustrate these points.

However, numerous candidates offered up a performance pyramid analysis of performance management at the company as an answer to this question. This did not directly address the question of the nature of the information for each level and tended only to score marks indirectly. Additionally, a notable minority could not correctly define the tactical and operational levels.

Future candidates would benefit from reading this question in order to practise identifying and splitting up the information in the question in order to help with the planning of their answer.

Part (iv) required an assessment of the performance management implications of the consultant's comments on the critical areas identified for the company in their value chain analysis. This was the part of question 1 that was most weakly done by candidates.

Only a few candidates could provide a brief general description of the purpose of the value chain analysis and so give context to the consultant's comments. However, candidates were able to discuss broadly the activities identified as critical but often; they did not clearly link to this to the company's circumstances. In particular, candidates did not address the after-sales service issue well. Few seemed to be able to imagine why the directors were concerned about this area. A

significant minority of candidates chose to write about all the possible activities in the value chain despite being told only to address the critical areas identified.

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 good.

Future candidates should beware that answers that take the form of short bullet point lists are unlikely to be addressing the need to justify suggestions or analyse issues. This is a major fault as most APM questions have the majority of their marks assessing these skills.

Question Two

This question dealt with issues of a fashion clothing retailer. This question was surprisingly poorly done, particularly part (b).

Part (a) of the question asked for an assessment of the difficulties in using and interpreting an illustrative data set of customer satisfaction data at the company.

This part was fairly well done with candidates identifying numerous issues from the description of how the survey was conducted. The better candidates made good use of the table of data given in the scenario to generate further ideas about the problems of interpreting such data.

Part (b) of the question required candidates to advise the board of the problems of implementing and using the balanced scorecard (BSC) approach at the company.

This part was surprisingly poorly answered given that the BSC has been a common topic at APM and often well answered. The issue with this question was the failure to answer the specific question asked. Often candidates seemed to be trying to answer the question 'advise the board on whether the given set of indicators is suitable for a BSC at the company'. These answers frequently ignored the further guidance in the scenario that 'the board does not want you to give a detailed evaluation of the advantages and disadvantages of each performance measure or to suggest completely new measures.' and did not focus on the actual requirement to address the 'problems of implementing and using the balanced scorecard (BSC) approach'.

Question Three

This question examined the issues around risk and uncertainty in decision-making at a manufacturer of heavy steel items.

Part (a) required an assessment for a venture capital investor of the given performance measures in relation to three key stakeholder groups. This question was reasonably done. However, many candidates wasted time by focussing their answer on performing a jargon-laden, Mendelow analysis when the question requirement focussed on the performance measures appropriate to the stakeholders.

Future candidates should read this question and then test themselves by asking whether they consider a valuable response is either (a) 'keep informed' to one of the stakeholders or (b) indicate which measures should be used and why for a given stakeholder. If the answer is (b) then the candidate has grasped the main point of the question.

Part (b) required an evaluation of which price the board would choose for the new product based on the board's attitude to risk and then brief comments on the drawbacks of the decision rule used.

This question was either done well or badly depending on the basic knowledge of the methods. Many candidates could neither name the correct method to use nor describe their method for selecting the appropriate selling price.

Part (c) required advice for the venture capitalist on which of two new investment projects it should undertake, including an evaluation of the appropriateness of the numerical technique used. Performance on this part was weak reflecting poor basic knowledge of how to calculate expected values and the appropriate conditions for the use of this method.

Future candidates should ensure that they have learned the whole syllabus of APM as each diet of the examination is going to be a sample test of this knowledge across the whole syllabus.