General Comments

The examination paper comprised two sections, A and B. Section A consisted of one compulsory question for 50 marks in total. Section B consisted of three optional questions for 25 marks each from which candidates were required to answer two questions.

The majority of candidates attempted their allocation of three questions and there was little evidence of poor time management in terms of completing the paper.

We would strongly advise that candidates use the examiner’s reports and approach articles to ensure that they have the right overall attitude to P5, 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 F2 to F5 to P5) 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 (usually) wrong to assume that this alone will provide them with a passing answer at P5 which is about application and evaluation in a business scenario.

Therefore, the first step to passing P5 is to have a good grasp of the basic knowledge. However, at this diet, a lack of such knowledge was particularly clear in: 1) question 2(a), threat of new entrants, and 2) question 3(b), value for money framework.

Building upon that 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. A good, 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 very clear to the marking team that those candidates that had grasped the need for this went on to pass the paper, see comments on question 1(ii) for an example.

This issue 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).

Finally, and critically, in order to pass P5, candidates need to be capable of analysing and evaluating the 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 essential that they provide justification for opinions expressed and go beyond mere calculation by explaining the implications of their results. See comments on question 1 (iii) and (iv) for illustrations.
Specific Comments

Question One

This question required the candidates to consider issues surrounding the introduction of the balanced scorecard at a manufacturing business.

Part (i) required an explanation of what ‘balanced’ means in the context of the scorecard’s introduction at this business. This question was not intended to have a standard answer but make the candidate consider what the method aims for. It did not ask for a general description of the scorecard. It was done reasonably well with good candidates illustrating general points about, for example, results and determinants with specific discussion of the problems for this business. Weaker candidates restricted themselves to describing the four perspectives and stating that this was the balance, without justification.

Part (ii) required taking the current position of the company in its implementation of the scorecard and giving advice on going forward. This part was occasionally very well answered. Candidates who grasped the need to analyse the current position of the company in the process and then give justified advice for future action scored highly. Weak candidates ignored much of the current situation of the business (where a number of steps had been completed) and gave a textbook answer about how to implement the balanced scorecard from the beginning.

The examining team was very concerned about the quality of answers to parts (iii) and (iv). These are commonly asked types of question at P5 and yet many candidates showed little grasp of how to approach answering such question. There is a need to address the specific performance indicators, the issues of this business and to follow the instructions given by the board in completing their work.

Part (iii) required an evaluation of suggested performance measures for three perspectives of the scorecard. This part should be considered a core test at P5 and was generally done to a passing standard. However, given that this ought to be a well-practiced question for a properly prepared candidate, it was disappointing that it was rarely done very well. Weak candidates simply stated their opinion of whether they thought the indicators suggested fitted the business. The opinion scored nothing unless it was supported with a suitable justification. Strong candidates focused on the strengths and weaknesses of the indicators given in the question rather than dismissing these out of hand and giving lists of alternatives. It was disappointing how few candidates actually delivered the board’s request for a maximum of two measures (at a strategic level) per perspective. Many candidates restated this constraint but then ignored it in their detailed discussion.

Part (iv) required an evaluation of the performance in innovation and learning and an evaluation of the choice of measures in this perspective. This part suffered from the same issues as part (iii) in lacking justification for opinions on the choice of measures. Additionally, it was obvious that candidates who lacked depth in their answer on the choice of measures were also weak in their analysis of the performance. Many of such answers only calculated the measures and then stated whether the trend was up or down. There was little attempt to indicate how these trends linked to the environment and issues for the business.

As is now common at P5, 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.

Question Two

This question dealt with issues of performance measurement and management at a retailer.

Part (a) of the question asked for an explanation of how an analysis of the threat of new entrants could help improve performance in this business and asked for some KPIs to measure this threat. This part was done reasonably. Those who did well answered the question and so dealt with the threat of new entrants and not of existing competition (which is the subject of the next part). They also made sure that their suggested KPIs were justified by reference to the issues of this particular business.

Part (b) of the question required candidates to discuss the use of a combination of four suggested measures and how to handle conflicts between them. This part was sometimes well done with a discussion of the conflicts leading to useful practical suggestions for improvement. Often however, there were merely lists of suggested improvements for management without linking these to the question requirement and the problems of using ‘combinations of measures’.

Part (c) of the question asked for advice on the risks of a new loyalty card system. Again, those candidates that focused on the question asked (and so the risks) produced good answers. It surprised the marking team how many candidates chose to simply discuss the advantages of the new system and not its risks. Generally, for a 10 mark part, answers were surprisingly short.

Question Three

Question 3 examined performance measurement and management at a not-for-profit hospital. This was the most popular question chosen in section B.

Part (a) required an explanation of the importance of non-financial performance indicators at the hospital. It was generally fairly well answered with better answers targeting issues specific to this hospital.

Part (b) asked for application of the value for money framework in justifying a performance measure for each of its three component parts and then an assessment of this performance. Although this has been a common topic at P5, some candidates seemed ill-prepared; with many unable to define the framework and so properly attribute an indicator to each of the three headings. Candidates who did not know the framework tended to only score tangentially as it was the application of this model that was being tested. Candidates who knew the model generally scored well.

Part (c) of the question required an evaluation of the management style at the hospital and its implications for performance. Strong candidates gave logical answers which firstly identified the style currently in use, evidencing this with proof from the scenario and then discussed the consequences in achieving the organisation’s objectives. Weaker candidates offered short answers for a 10 mark part often ignoring the points on the implications for performance.
management and just giving lists of possible performance management improvements without reference to the management style.

This final point illustrates a key point for P5 that remains poorly grasped in many diets and that is the importance in the assessment of an organisation (its performance/choice of measures) to relate this back to its mission/objectives/critical success factors.

**Question Four**

This question considered issues around risk and uncertainty at a manufacturer who is deciding on the size of a new factory. Candidates who chose this question often scored well.

Part (a) required a candidate to give reasons why consideration of risk and uncertainty are important in such decisions and then evaluate the use of PEST analysis in this project. This part was generally reasonably well done. Good answers illustrated the use of PEST analysis with reference to risks for this manufacturer.

Part (b) required an analysis of the preferred option for the factory size for two different stakeholders with different risk appetites. This part was usually well done although the calculation of a regret table caused some difficulties.

Part (c) required a recommendation for a risk neutral investor and an evaluation of the method used. This part was generally well done with expected values being correctly calculated and the limitation of this method in context of this business reasonably discussed.