

Examiner's report

P3 Business Analysis

June 2010



General Comments

Performance in this examination was generally in line with previous papers. Candidates were stronger in strategic concepts (strategic position, Porter's Diamond) and less comfortable with business process modelling and customer relationship management. Part questions based on specific factual areas (competency frameworks and CMMI) were either answered well (because the candidate was familiar with them) or poorly (because the area was not studied or revised).

There was some evidence of poor time management, apparently caused by over-answering question one. The first part of question one (assessing a strategic position) required candidates to provide appropriate content and detail in a time frame that reflected the marks on offer.

The financial data given in question two was well used by candidates, although it would be helpful if candidates showed their working out when deriving appropriate financial ratios.

Section A

Section A consisted of one compulsory question. It was based on an extended scenario that described the situation at a charity in the country of Arcadia.

Specific Comments

Question One

The scenario described how the charity (WET) was going through a period of change during an economic recession in the country of Arcadia. The founder, Zohail Abbas, had recently resigned and a new Chief Executive Officer (CEO) had been appointed. She has asked for a concise assessment of the strategic position of WET covering environment, strategic capability, stakeholder expectations and organisational mission. It is this assessment that formed the basis of the first part of question one, worth (including professional marks) 25 marks.

In general, the first part question was answered well by candidates, using a wide range of appropriate models and frameworks. PESTEL analysis was widely used, and although this was appropriate, there was insufficient in the case study scenario to completely answer the question using this framework. For example, there was little about technology and socio-cultural issues. Consequently, many candidates discussed the restricted web site technology of WET under this heading, which is strictly an internal weakness. In this instance, we were prepared to give credit, as this weakness was part of the wider understanding of the strategic position. However, candidates must be careful in the future to stick to external issues if a PESTEL analysis is specified in the question.

Relatively few candidates used the five forces framework, although valuable points could have been made using this approach. For example, the low *barriers to entry* were a particular issue raised by the Commission of Charities reluctance to tighten up on charity registration. Similarly, the *threat of substitutes* is ever present, with WET competing for the 'charity dollar' in an environment where 'doing without' is also likely. A discussion of low *switching costs* would also have brought credit.

Finally, some candidates did not restrict themselves to assessing the strategic position. They began to suggest strategic solutions and options which were not required by the question and so no credit was given. This reinforces the need for the candidate to carefully read the question and to answer within its scope.

However, overall this part question was answered well, if a little narrowly, with many answers well-written and well-structured, so gaining most of the professional marks on offer.



The case study scenario included a description of the process for membership renewal. This textual description was supported by a swim lane flowchart. Candidates were asked to analyse faults in the renewal process and to suggest solutions. This part of the question was worth 15 marks. It required an analysis of the business situation and the formulation of appropriate solutions. It did not require long theoretical descriptions of process redesign patterns, although these could have been usefully applied to the scenario.

This was a practical analysis question and it is disappointing that many candidates were unable to answer it effectively. Too many answers simply suggested that the computer system was at fault and should be fixed. Candidates failed to spot glaring errors in the process (sales and marketing received renewal confirmations before payment was cleared, delayed acknowledgement of payments led to renewal notifications being sent to members who had paid) and so many answers were too general and did not gain the marks on offer. Good answers needed to identify the fault, describe its consequences and suggest solutions, which could have been quite simple, and did not require any cross-reference to theoretical concepts.

Effective customer relationship management is essential to charities. Sheila Jenkins wishes to use email and website technology to facilitate the acquisition and retention of WET's customers and support WET's aim to gain increased revenues from members and donors. This part question was about effective customer relationship management; acquiring, retaining and exploiting customers. It was not a general question about the principles and benefits of web site and email technology. Too many answers were not in the context of the question. For example, independence of location (place) may be an attribute of the new media, but how can this be harnessed (if it can) in the context of customer relationship management? Many candidates probably thought they had answered this question relatively well (talking about 7Ps and 6Is) but in reality many answers did not score well and overall, this part question was disappointedly answered. In many cases, candidates provided good answers to a very different question.

Section B

Section B contains three questions, and the candidate was required to answer two. The most popular questions were questions two and three.

Question Two

Question two described a transport company (Swift transport) who are considering an acquisition (EVM) in a foreign country (Ecuria). The first part of the question asked the candidate to assess, using both financial and non-financial measures, the attractiveness of this acquisition. Candidates answered this part question relatively well, using appropriate calculations as well as describing the pull factors of Ecuria (for example, absence of restrictive employment legislation) and the push factors of Ambion (for example, government taxes and a mature market place). The model answer is structured in terms of suitability, acceptability and feasibility, although very few candidates actually used this approach.

The second part of the question asked candidates to examine, using Porter's Diamond (or an alternative model/framework), the factors which would influence the company's decision to move a large part of its logistics business to Ecuria. This was the first time, as far as I am aware, that Porter's Diamond had explicitly been asked for in a question. Despite this, candidates answered this part question very well, not only showing knowledge of the model but were also confident in applying it to a case study scenario.

Overall, question two was a popular option and was well answered by candidates.

Question Three

The third question concerned a city authority that has decided to outsource its IT to a company called ProTech-IT, a private limited company that is owned 51% by ProTech and 49% by the city authority itself. The first part of the question asked candidates to evaluate the potential benefits of this outsourcing to the city authority and its IT employees. Most candidates answered this relatively well, although many did not recognise that the formation



of a joint company might itself bring significant advantages to the city authority. The formation of a separate company in which the city authority has a significant stake might provide an appropriate vehicle for gaining contracts with other public authorities. They might be particularly attracted to working with a company which has significant public sector expertise and ownership. Profits made by the company may be distributed by dividend to the authority, bringing in income that can be used to reduce taxes or improve services.

The scenario acknowledged that business analysts within the city authority will need to gain new or enhanced competencies. The second part of the question asked candidates to analyse these competencies. Some of these were clearly signposted in the scenario; for example, strategy analysis and business case development. The need for a formal relationship between the authority and the outsource provider leads naturally to a discussion of requirements definition and procurement. Thus it should have been relatively easy to identify competencies around *strategy*, *business cases*, *requirement definition* and *procurement*. Two marks for each of these should have resulted in full marks for this part question. However, in practice, this was not the case. Many candidates failed to identify any relevant competencies (falling back on generalisations such as 'good communication skills') and hence did not score well in this part question.

The current IT department has been assessed as CMMI level 2. ProTech has recently been assessed at CMMI level 3. In the final part of this question the candidate was asked to explain the principles of CMMI and the advantages to ProTech-Public of achieving CMMI level 5. This part question was very similar to a question in the pilot paper. In general, this was well answered by candidates, with many candidates scoring full marks (6/6).

Question Four

The final question described an appraisal process and performance measures at a National College. The candidate was asked to evaluate the appropriateness of the appraisal process and performance measures, from both an employee and an organisational perspective. In general, this part question was well answered by candidates. Most candidates recognised that the performance measures were outside the control of the person being appraised and that the performance measures themselves were partially flawed.

Competency frameworks are explicitly considered in the Study Guide and have been discussed in an article in Student Accountant (SA). Competency frameworks also underpin the ACCA qualification. The second part of the question asked candidates to explain the concept and purpose of competency frameworks and to assess their potential use at the National College and the Institute of Managerial Finance. This was not particularly well answered by most candidates. Most candidates seemed to be unfamiliar with the concept of competency frameworks or their potential application.