



REPORT ON CANDIDATE PERFORMANCE

Results were again more encouraging; there was a further significant increase in the pass rate for this paper.

Reasons for the improved pass rate:

- Candidates (and lecturers) are getting used to the format, and learning how to prepare for the case examination. It is noticeable that fewer candidates are having problems in balancing the allocation of time between preliminary analysis, answer planning, and actually writing the required report, but are obviously suffering from time pressure at the end of the examination.
- Candidates generally analysed effectively the pre-seen material, and adequate research of the industry background, which enabled them to earn reasonable marks for business awareness. To some extent this was because the industry concerned was easy to research; it is not likely that all future industry settings will be as easy to research as supermarkets. Most candidates showed a reasonable understanding of the industry.
- The unseen element of the examination, whilst not totally predictable from the pre-seen element, was broadly predictable, and candidates could prepare themselves to discuss a range of issues. Future pre-seen elements may not provide as much guidance; there may be more of a “twist” in the unseen.
- Most candidates provided broadly sensible recommendations. However, there was a continuing problem, discussed later, with candidates providing sensible recommendations almost totally unsupported with appropriate reasons.

Key Problems Encountered

1. Reading and meeting the question requirement

The wording of the Requirement provided clear guidance to the expected form of the report, which was taken and used by most successful candidates. It was possible to provide a different form of report that met all needs, but relatively few successful candidates varied their approach.

The overall Requirement is a review of Global and its situation, and recommendations for future policy, the future development of the company. To quote from the requirement:

- *comments on Global's problems*
- *the future development of the company*
- *recommend future policy*

The review of Global's problems must prioritise these problems, rather than merely listing with uncritical descriptions.

Within this overall requirement, comment is required on

- *potential developments in Westland*

This could include comment on proposals by the Operations Director, and on the changing competitive situation as Market Stores continues to expand.

Comment is also required on

- *the feasibility of the possible acquisition of either supermarket group B or supermarket group D in Eastland*

This is not a simple choice between B and D; the questions must be addressed of whether either possible acquisition is feasible or desirable.

Candidates should have noted the particular form of the report sought:

- *a confidential report advising the Chairman*

They should have noted that this was not a report to be seen by all board members. This provided scope for comment on board composition and senior executive management.

The last memorandum (Exhibit 9) in the unseen part of the examination effectively restates the requirement

- *To maintain investor confidence, a clear and convincing statement of a plan to improve earnings in the medium term will be essential.*

The emphasis is on what can be done, not on the possibly excellent reasons why very many proposals may not be feasible.

Case studies could be designed with a single very broad requirement – to advise. This would, of course, imply such sub-requirements as analyse and calculate as appropriate, and review feasible alternatives, and provide appropriate reasons for recommendations.

To date, the examination has not taken this approach, but has provided extremely clear and detailed guidance in the sub-requirements to the format of the expected answer. Future examinations may provide less specific guidance, which would permit allowing more marks for the design of the report under the format criterion.

2. Unsatisfactory recommendations

The weakest part of many answers was the section of recommendations. This may sometimes have been due to poor time management, but more often appeared to be the result of not having decided during the preliminary analysis and answer planning quite what the report was to advocate. This appeared in two forms:

- Not providing firm recommendations. Many candidates avoided making recommendations by stating a need for more information, more analysis, more market research. This is all valid up to a point; case studies, like real life, never provide perfect information. But recommendations have to be made so that decisions can be taken, on the basis of the imperfect information that exists. It is, of course, quite appropriate to make a recommendation subject to certain conditions, such as insisting that finance be secured before proceeding, and that the agreement of institutional investors to a potential rights issue be obtained.
- Not providing reasons for recommendations. Candidates should read a requirement for recommendations as implying recommendations with reasons. Marks were allowed where it was clear from the previous analysis why certain courses of action were being recommended. Unfortunately this was not always the case.

3. Financial analysis

Even with some of the successful candidates, the standard of analysis often fell below the standard that could reasonably be expected from final level candidates.

Part of this has to be ascribed to poor preparation for the examination; it is reasonably feasible to forecast a range of techniques that may be useful in the examination from the pre-seen information, and these techniques should be revised to ensure competent application to any new numbers provided on the day of the examination.

The more important problem is that candidates may be underestimating the importance of calculations based on new financial information.

Marks for numerical skills are for any appropriate calculations and the presentation of appropriate numerical data to management. It would be unwise to interpret the Assessment Matrix as saying that only these marks depend on the appropriate calculations. Further marks are in effect “tied” to this criterion, as it is only if the appropriate calculations are done, and appropriate data presented to

management that further marks can be earned for the interpretation of this data, and appropriate commentary. These marks are part of the “depth” criterion. Failing to complete calculations can also affect the recommendations made, and the reasons supporting these recommendations.

4. Time allocation

The other major problem for many candidates was the balance between understanding the unseen material, undertaking any necessary analysis, planning an answer, and then writing the required report. A number of candidates spend far too much time on the preliminaries, and too little time on the required report.

Many weaker candidates had not undertaken a minimum of practice on case questions under simulated examination conditions. It is difficult planning time and pacing an answer without the guidance given by separate marks for questions and part questions, and this skill has to be learnt by trial and error. Performance can improve significantly with practice.

Candidate Performance In Relation To The Question Set

Comments on Global's problems

Comment was generally sensible on the problems identified by the various senior managers. The noticeable weakness was that many candidates failed to discuss two major problems, or failed to discuss them in any depth:

- there was limited discussion of the visible senior management problems, notably the limitations of the CEO, and the lack of a marketing function
- some candidates failed to identify Global's lack of a clear strategy, and failed to place sufficient emphasis on its unsuccessful competition with Market Stores.

Potential developments in Westland

Comment was generally sensible on the various proposals by the senior managers, but often very detailed discussion of IT systems and home shopping precluded other than the briefest discussion of other proposals

Relatively few candidates provided the easy analysis of the calculations by Jack Louis for the possible Westland acquisitions to demonstrate that the short term impact of this proposal would be minimal. Very few contrasted the proposal to acquire more stores with the proposal to close unprofitable stores.

Very few candidates attempted to demonstrate the relative importance to Global of the various problems in terms of the maximum short-term impact of the proposals on Global's profit.

The feasibility of the possible acquisition of either supermarket group B or supermarket group D in Eastland

Most candidates calculated the cost of the potential acquisitions, but few followed through by calculating the potential impact in the short and medium term on Global's earnings per share. Given the emphasis, in the Financial Times, and the Investors' Chronicle, on prospective earnings per share in takeover situations, candidates should have expected this to be required, and been prepared to make these calculations.

There was little attempt to discuss whether investors would be inclined to subscribe to a rights issue for a major acquisition without evidence of management competence to manage such an acquisition, and whether such competence could be demonstrated without radical improvement in Westland performance.

Recommendations for future policy

As already commented, positive recommendations with reasons were required.

Some candidates provided a strong case for delaying any consideration of the potential Eastland acquisitions until Global had solved its Westland problems and regained investor confidence. This was clearly acceptable; dismissing the potential acquisitions without comment was not.

The general problem was that many candidates saw and explained the weaknesses of the various Eastland and Westland proposals, but failed to explain what Global could do, and failed to discuss whether the recommendations made were commensurate with Global's very considerable problems.

Candidate Performance Against the Criteria Contained in the Case Study Assessment Matrix

Prioritisation (of issues)

Performance on this criterion was very mixed. Good candidates succeeded in separating major problems, such as management, strategy, current trading, and the share price, from relatively minor problems. Weaker candidates worked through the problems identified by the senior managers, with little separation of important problems. Sometimes they missed key problems altogether.

Knowledge

Marks are awarded for the use, not just the display, of appropriate technical knowledge.

Analysis often would have been much improved by the use of appropriate models to define strategic options. Many successful candidates used Porter's generic strategies model very effectively, highlighting the problem of being stuck in the middle. This approach would have focused candidates on the overall problem, rather than the specific proposals. Some candidates used Porter's five forces model and Ansoff's matrix reasonably effectively.

Weaker responses to this section did not use analysis models.

Numerical Skills

Weaknesses here have already been discussed, emphasizing that a limited attempt to analyse the available data can prejudice marks beyond those purely for numerical skills. While appropriate techniques can, to some extent, be forecast from the pre-seen information, it is probable that all case studies will provide new financial information in the unseen, which will be sufficiently important to change the balance of the analysis.

Whilst most candidates separated out detailed calculations into appendices, relatively few brought summary figures back into the body of the report. Presentation standards were not good; calculations were poorly explained, and at times could not be understood.

Structure (recommendations)

Positive recommendations with reasons were sought; weaker candidates often provided recommendations inadequately supported by clear and logical reasons. Very weak candidates provided very little in the way of recommendations, and failed to recognize that Global's management had to do something to prevent the decline continuing.

Business Communication

The descriptors for the various classifications in the matrix are very generous. Most candidates reached a standard that was adequate under these descriptors, without being particularly good. There was often scope for improvement.

Format

Most candidates provided reports that were easy to follow. Good use was made of appendices.

Some candidates need to review the format they are attempting to achieve, in terms of the time taken in styling the report, and the limited marks allowed for format. Time was often spent providing introductions, terms of reference, and executive summaries that added little to the sense of the report. These are all desirable in business reports – but there is limited time available, and these may have to be sacrificed to provide more depth of analysis and commentary, and better argued recommendations.

Business Awareness

Most candidates displayed sound awareness of the industry and the main competitive factors. The notable exception was the lack of understanding of the unusual extent to which supermarkets are financed by suppliers in some countries, such as the UK, but not in other countries.

It was relatively easy, with this case, to find appropriate real life examples to quote, and these examples were welcome, but not always effective. The problem for many candidates was that the examples were appropriate, but explained at too great a length, and the original point was lost.

Breadth

Most candidates discussed a range of issues and achieved reasonable marks. There were some scripts where candidates covered a range of issues in their answer planning and rough notes, but failed to mention some of these issues in their reports.

Marginal scripts often included discussion of a range of issues but with surprising major omissions, notably Global's management problems.

Depth

Weak scripts were characterized by mentioning issues, but with very little supporting detail.

The discussion of financial issues was often inevitably limited by the lack of analysis of the financial implications of the proposals and possible Eastland acquisitions. There were some scripts where sensible analysis in appendices had not been translated into the report with any comment on the significance of the conclusions. Candidates were expected to bring key figures into the main report and explain their importance to Global, and the policy implications.

An overall view

Good progress has been made in terms of overall standards – but there is still scope for further improvement, especially in numerical skills, the use of appropriate technical knowledge, and structuring reports to support clear recommendations.