E3 Enterprise Strategy

Questions and answers from past ‘ask a tutor’ events – archived by syllabus area

[Please note that the responses given are the tutors’ own. They are not definitive nor do they necessarily reflect the views of CIMA.]

Syllabus area A – Interacting with the Competitive Environment

Non market strategy

Question:

In section A of the syllabus, the first syllabus content is "non market strategy and forms of corporate political activity". Please explain the terms "non market strategy"; and "corporate political activity"; and what are the forms (types) of corporate political activity?

I do not have any other study text available in my country beside the CIMA official study system and I could not find these terms in the official study text so please help!

Response from tutor:

Non market strategy is the way that companies manage relationships with governments, regulators, non-government organisations (NGOs), the media and society at large. These factors are essentially ‘outside’ the market where traditionally little attention was paid on the basis that they did not necessarily provide competitive advantage opportunities.

The more modern approach recognises that these non market factors need to be taken into account as an integral part of the firm’s overall business strategy.

Corporate political activity refers to the ways in which firms woo and seduce political parties or individual politicians with donations or other enticements as a way of gaining some sort of competitive advantage. For instance firms may form such a relationship with a particular party in a foreign country to get trade barriers eased or a preference shown for their business.

Critical Success Factor

Question:

I do not understand Critical success factors (CSFs), and particularly have difficulty to identify them for an organization. Please kindly advise.

Response from tutor:

CSF’s as the name implies are those few areas of the business where failure to achieve corporate objectives may well lead to the demise of the organisation. Their origin is in the discipline of information systems where, once defined they represented critical aspects that the organisation needed to monitor. Thus information systems had to be developed to monitor the Key Performance Indicators that in essence measured the extent to which CSF’s were being achieved.
Syllabus area B - Change Management

Question:
My question is related to change management. Is it acceptable to use Kotter's 8 steps model as model of explaining change management. Although it is used in many courses as a change management model, i didn't found it is applied in any change management question given in CIMA. But I feel it is more similar to Lewin’s 3 approaches model and will I get marks if I used it for relevant situation in the exam?

Response from tutor:
You could use Kotter’s 8 step model if no specific model is required in the question. What concerns me about your question is the thought that because it has 8 steps and the question might be for 10 – 12 marks your arithmetic is leading you to the conclusion that the more steps you include the more marks you will get. This is a false approach as your focus should be on explaining, evaluating and applying a model in the specific situation presented. Aim to make fewer points but in more depth – this paper is about the quality of the points you make NOT the quantity.

Question:
What are the recommended models of change management for the E3 syllabus.
Can we use the SFO(Strategic focused) model of Kaplan as an implementation model under change management?

Response from tutor:
Unless the examiner asks for a specific model you may use any suitable change management model in answering your question, BUT..... remember to apply it to DEF’s particular situation. The Kaplan model you mention (SFO) which refers to the Balanced Scorecard, is really a performance measurement model, but if analysis using this model highlights issues that need addressing, then it would be a change trigger, but not a change implementation model.

Syllabus area C - Evaluation of Strategic Position and Strategic Options

Product Life Cycle/ Industry Life Cycle

Question:
I tend to be confused by product life cycle and industry life cycle. Can you explain the characteristics of each of the industry life cycle stages and the differences between these two models?

Response from tutor:
Product life cycle (PLC) and industry life cycle is the same model. An organisation will plot its products on the PLC to assess the strength and potential future strength of its product portfolio. The PLC in this instance is an alternative to the BCG matrix. An industry is firms producing a similar ‘good’ in the economy. Therefore at an industry level the PLC provides a way of forecasting the market behaviour of ‘that good’ for the whole industry rather than just the individual firm. If the good is at the introduction stage, then the PLC prescribes that it will go through the following stages at some point in the future.
**Market Penetration**

**Question:**
What are the different methods available to penetrate the existing product market category under market penetration?

**Response from tutor:**
Methods available would include:

- Penetration pricing - pricing at a level below the competition;
- Promotional campaigns - advertising, PR etc;
- Place – finding new stockists, distribution channels within the existing marketplace;
- Product – slight modifications or upgrades to the extent that it does not become a ‘new’ product (the point at which it does is a matter of opinion).

You can see I have used the 4 Ps model as a basis for my answer as essentially this provides management with a decision making model to establish how they can in fact access more customers in the existing market.

**Game theory**

**Question:**
Do you have a sample question for game theory. Please provide an article to understand game theory

**Response from tutor:**
Game theory is an approach to strategic decision-making that analyses the interactions of multiple self-interested agents. It assumes that all agents will act as rationally as you in a given situation and subsequently their actions are more predictable.

This link is to a dedicated game theory site which you may find useful. http://www.gametheory.net

Do be careful though as it is not a high profile area in terms of the CIMA E3 syllabus. Do not spend too long studying this at the expense of more mainstream models – Porte, Ansoff, BCG etc.

**BCG Matrix**

**Question:**
Please can you explain the BCG Matrix in a form which is easier to understand and remember if required in the E3 exam?

**Response from tutor:**
All models are used by managers for decision making. The BCG is a strategic analysis model whereupon managers plot their products or SBU's to assess which ones to invest in. The two axes are relative market share [your share compared to your nearest rival] and market growth rate [attractive
markets where demand exceeds supply]. A problem child which has a relatively low share of an attractive market either requires investment to turn it into a star or should be allowed to decline to a dog with no investment. A star will become a cash cow – a big cash earner of the future – and present cash cows, whilst needing to generate sufficient surplus to fund products on the other three quadrants, will in time when the mature market cycle draws to a close, become dogs. Products at the dog stage will in most cases not command any investment and will be harvested.

**Strategy formulation**

**Question:**

If the exam question asked about the steps in formulating a rational strategy for the company, a typical textbook lists down a number of steps in devising the strategy. If the scenario doesn’t warrant the need to go thru all the steps, say identify the threats (due to it’s monopoly status), will I get penalised for skipping or missing out that step, since the paper is about quality of point and not quantity?

**Response from tutor:**

You would not get penalised for ‘skipping’ the step but may lose a mark for not mentioning that because of the monopoly position there are currently no competitive threats. Is it not true to say, however that there are other external threats to monopolies not just the absence of competition?

**Syllabus area D - Implementation of Strategic Plans and Performance Evaluation**

**Performance evaluation**

**Question:**

In exam, if we are asked to give performance measures (KPIs) relating to the 4 different perspectives of balanced scorecard related to a particular scenario, how we should approach to that question?

**Response from tutor:**

I would be pleased if you can give me a detailed explanation using an uncommon scenario such as “Royal Botanical Garden” question in pilot paper (2005 syllabus).

Without going into specific detail it the approach is quite straightforward.

The perspectives on BSC are not quantified but can be viewed as objectives [or indeed critical success factors]. The purpose of a KPI is to quantify the extent to which that objective is being achieved. So for instance if Learning & Innovation perspective is considered how can this be measured? Percentage of workforce achieving a qualification year on year could be used if it increases then that objective is being achieved. No matter how many examples you remember you will need to thin through and formulate KPIs for the particular situation for the particular organisation in the scenario.

**Question:**

What is the main different between EVA and SVA?

**Response from tutor:**
Both techniques come under the general umbrella of Value Based Management [VBM]

EVA is an internal measure the highlights the increase in wealth to the shareholder by investing in the organisation’s shares. It uses adjusted after tax profits LESS Adjusted Capital Invested x WACC.

Shareholder Value Analysis identifies the ‘Business Value’ defined as the present value of future cash flows potentially available to become dividends plus any investments or securities the organisation can sell for cash without impairing its performance, LESS any debts. Thus to increase Shareholder Value, management should improve the PV of future cash flows or reduce debt.

Subsequently the difference relates to the fact that EVA ignores future cash flows whereas SVA takes these into account. Measures will then be based on historical and present performance or future plans.

**Implementing and Controlling Plans**

**Question:**

I have problems understanding chapter 8 of the E3 learning system: Implementing and Controlling Plans. I find the bulk of information difficult to comprehend. Can you explain the important points that I should learn?

**Response from tutor:**

This is essentially about organisational performance measurement using techniques, many of which you should know from your other CIMA paper studies, such as financial ratios. Control at its basic level is simply ‘the extent to which objectives are achieved’ or effectiveness as it is sometimes referred to as.

More modern techniques focus on qualitative as well as quantitative techniques, such as the balanced scorecard or other multidimensional financial, statistical and non financial models.

You really need to be familiar with all of the models in the CIMA study system and be prepared to use one or two of them in evaluating the performance of DEF if the examiner sets that type of question.

**Question:**

Please explain how standard costing system can improve control within an organization. I am not confident in this topic.

**Response from tutor:**

Control can be simply defined as ‘the extent to which objectives are being achieved’. Standard costing is a tried and tested method to establish the cost of individual and batches of product. A standard cost is an objective; it sets out what cost the organisation budgets to make or buy the product. As such then, in comparing the actual cost to the standard cost an organisation is exercising control.
**Ethics**

**Question:**

I know that many organizations have made difficult commercial decisions that involve relocation and redundancies, but they are not said to be unethical. Can you please tell me how to differentiate an ethical dilemma and a difficult business decision.

**Response from tutor:**

For many managers, certain business decisions are ethical dilemmas, and as such, are therefore inseparable. Certain codes and frameworks exist to assist individuals with ethical decisions, for instance the CIMA code of ethics sets out a conceptual framework as a point of reference for ethical decisions and actions. Ethical behaviour is influenced by external factors which must be weighed against the individual's personal feelings and virtue and these situations are commonplace in the business environment where an individual feels pressurised to act against their personal viewpoint but in the interest of the business. Individuals in such circumstances have to decide where their loyalties lie.

**E3 vs P6**

**Question:**

I need to know about Enterprise Strategy e.g. details about the syllabus, theories and the difference from Business Strategy (old syllabus, Paper P6).

**Response from tutor:**

Paper E3 continues to integrate the skills across functions, but concentrates on developing the knowledge and skills used in designing and implementing strategy. The full syllabus can be downloaded via the link below.

You should familiarise yourself with the verbs within the learning outcomes, and the higher level skills you need to develop, by reference to the published verb hierarchy.


Several important strategic models and topics that were in the old Paper P6 - Business Strategy, now appear in the new Paper E2 - Enterprise Management. Therefore, you should still revise these topics - PEST analysis, stakeholder mapping, qualitative approaches to competitor analysis, competitor analysis and competitive strategies, Porter’s five forces and approaches to strategy. You may well have studied these models in the old Paper P5 - Integrated Management, but they are also examinable in Paper E3.

You should also recognise that there is a potential ‘knowledge gap’ when moving from the old Paper P5 to the new E3, - Porter’s diamond, which you will not have studied in preparation for the old Paper P5 exam. You may find the E3 examiner’s article, which appeared in the ‘Study Notes’, on page 41of the March 2010 Financial Management magazine, extremely useful. This article is also available on the website as a study resource.

We recommend that you read the student support guide for Paper E3 which is designed to highlight the key differences between the syllabus for the old Paper P6 – Business Strategy, and the new
Paper E3 – Enterprise Strategy. This guide is available to download (as a PDF) on the CIMA website at: http://www.cimaglobal.com/Documents/ImportedDocuments/E3aug09guide.pdf

In addition, you should also download and study the specimen exam paper and suggested answers for Paper E3.

**General exam questions**

**Question:**

E3 - I am struggling with my approach to the questions. I tend to get lost in the detail and it is not due to lack of my theoretical knowledge. What is the best way to approach a question?

**Response from tutor:**

You have answered your own question! By approaching E3 as a theoretical paper you are failing to recognise and understand the skill set that the examiner is testing. E3 is about higher level skills which are generally referred to as application skills. These are analysis, evaluation, discussion, etc. What you need to do, for instance is not ‘remember and be able to draw’ Porter’s value chain but apply it to the organisation in the scenario explaining how it will assist in solving their business problems. This is by far the most common mistake students at this level make and is the single biggest cause of exam failure.

**Question:**

I have been writing this paper for more than 6 sittings and my marks range from 31 to 48%. My question is: when dealing with models is it always a must that you mention also the limitations of that particular model even if the question does not say so. And what other help can you give me or resources that can make me pass this paper. Surely this paper has really delayed my progress.

**Response from tutor:**

This depends on the requirements in the question. Generally the verb ‘discuss’ invites you to put all sides of the argument, in the case of a model the ‘fors’ and ‘limitations’. Do be careful not to over-theorise your answers however as the thrust of this paper is applying models to identify, analyse and offer potential solutions for the problems highlighted in the case[s].

Review the precise meanings of the verbs used in question requirements if you are unsure. I would however suspect that given the marks you are achieving your problem is not in terms of explaining the models but your failure to apply them effectively to the situation.

**Question:**

I've been successful in all the CIMA exams first time except for E3, which I have now failed twice. I'm at a complete loss as to how to study for this, or what I'm doing wrong. Are there any hints or tips that you can advise? I've completely lost my confidence and consequently my motivation. I feel like I've done every question out there!

**Response from tutor:**

I suspect your main problem is in ‘Understanding what is required’ in terms of the skills being tested. You must understand the cause and effects underlying the theory to write appropriate answers in this
paper and apply the theories to deal with the business situation presented in the case[s]. A proportion of the answer is in fact in the scenario – you just have to identify it and then discuss, or evaluate the situation or problem the organisation is facing. My overall guess is you are not considering the verbs used in the requirements carefully enough – look through some past questions and note the verbs used.

Practise developing the quality of your arguments and be prepared to put all sides of the argument particularly where the examiner uses the verb ‘discuss’. I would also strongly recommend that you plan your answers carefully as this brings a structure and logical flow to your argument.

**Question:**

I have sat E3 three times and have only managed to get mid-high 30's. I feel that I have a good understanding of all areas of the paper and don’t understand why I am getting low marks. I use a combination of CIMA and other notes and do a lot of past exam questions. Can you please tell me what my mark means in terms of my understanding of the syllabus, what I need to improve on and how I can pass E3 in May.

**Response from tutor:**

It seems to me that the basis of your approach is at fault. I suspect your main problem is in ‘Understanding what is required’ in terms of the skills being tested. You must understand the cause and effects underlying the theory to write appropriate answers in this paper and apply the theories to deal with the business situation presented in the case[s].

A proportion of the answer is in fact in the scenario – you just have to identify it and then discuss, or evaluate the situation or problem the organisation is facing. My overall guess is you are not considering the verbs used in the requirements carefully enough – look through some past questions and note the verbs used. Practise developing the quality of your arguments and be prepared to put all sides of the argument particularly where the examiner uses the verb ‘discuss’. I would also strongly recommend that you plan your answers carefully as this brings a structure and logical flow to your argument.

**Question:**

What are the key models we should know for the November exams? For example, BCG matrix, Porter’s diamond, Porter’s five forces, Force field analysis, Neely CP etc. I am asking because I don’t want to leave out any important models.

**Response from tutor:**

In addition to the above, a minimum of:

- Porter’s Value Chain
- Porter’s Generic Strategies
- Balanced Scorecard
- Ansoff’s Product Market Growth Vector Matrix
- Product Life Cycle
- Greiner’s Growth Model

The CIMA study text is a good point of reference for the models you should be familiar with. DON’T FORGET – it is the application of these models that is important in E3.
**Question:**

The November sitting will be my fifth sitting for this subject, and although I have always completed questions and prepared myself, I still fail (I was achieving high 40's originally but in the last two sittings I have 33% and 35%).

I am not confident about essay style writing and to be honest it is not the content of the subject (which I know after 2 year of studying), but putting it down on paper. I want to prepare myself this time to get the elusive pass and any help with regards to question interpretation, scenario analysis would be greatly appreciated.

**Response from tutor:**

I suspect from your comments that you are focusing too much on the factual and theoretical areas and not enough on the application of your knowledge in these areas to specific business situations. A comprehensive knowledge of all theory and models is worth around 40% in the exam. The real marks are earned from demonstrating your application skills. These can be categorised as explaining who, how and why in specific situations, discussion – presenting both sides of arguments pertaining to specific business problems and their solutions, and recommendations – setting out all of the options and justifying why your recommendation is suitable.

In terms of technique, make sure you clearly understand the requirements by paraphrasing them onto your answer plan, before reading the scenario. This ensures that you recognise the relevant areas that you should be dealing with and highlights examples that you can include in your answer to avoid the all too common pitfall of producing a general answer that could relate to any organisation not just the one in the scenario – a guaranteed road to failure.

You would undoubtedly benefit from preparing an answer plan. The method I use is a two column approach with the theory/description/facts of the case in the left hand column and the application to the scenario in the right hand column.

Try this with some practice questions and judge how much more of a structured and relevant answer you produce.

Also beware of only DESCRIBING when asked to EXPLAIN / DISCUSS/EVALUATE, otherwise your answer will fall short. When you make a point try following it with ‘this is important because........’ or ‘in the case of DEF this will result in....... ‘ which will force you into an explanation, evaluation or discussion.

**Question:**

I am re-sitting the Enterprise Strategy paper this May and this is my 3rd sitting which I am working hard to complete.

The last sitting I thought was a decent paper but I managed to get myself in a mess on section A and in particular the numerical part, and over run for other parts of the paper.

With numerical questions I find I am thinking about what calculations to do and in the end I am trying to get a lot of calculations done without actually doing any concrete analysis.
Can you please provide any guidelines to follow when I am trying to provide numerical data to back my data i.e. when comparing company performances in period, over time, between departments.

**Response from tutor:**

It seems to me that your exam technique is at fault here. If you are spending too much time on the numbers I would suggest you tackle the optional questions first. Also there will be at least one section of question 1 that does not require the use of numbers for an answer, which should be tackled straight after the optionals.

Try thinking of what analysis you want to achieve by jotting 4-5 issues relevant to the firm on your answer plan and then considering what numbers would support your analysis. The published article on pre-seen material available on the CIMA website will give you a valuable insight into how to think about the numerical information that is presented.

When analysing numbers I always adopt the approach of analytical review – which after all is generally what you are doing. Ratios are a key to establishing trends and so I would focus very much on these.

**Question:**

This is my last Strategy paper to take and I have failed it twice the first time by 4 marks and last time by 15 marks.

This time round I have started to concentrate on exam papers earlier than I did last time, do you have any useful tips specific to this paper which may be of help to me please?

**Response from tutor:**

In keeping with most students who fail this paper I suspect you are concentrating too much on memorising the theory and not enough on the application of the theory to the case in question.

The technique I recommend to ALL students is to paraphrase the question requirements onto an answer plan. Paraphrasing helps you to consider and understand exactly what the examiner is asking. Examiners for these types of paper always recommend producing an answer plan and I agree wholeheartedly with this approach. This exam requires you to provide relevant examples from the scenario where possible. I would recommend therefore that on your answer plan you write the word ‘examples’ in another colour to remind you. General answers, unrelated to the specific circumstances in the question achieve very low marks in this exam. I use a columnar planning approach as follows

<table>
<thead>
<tr>
<th>What it is / Facts of the case</th>
<th>Why it is important / Who / How /When</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1a</td>
<td></td>
</tr>
<tr>
<td>Q1b - etc.....</td>
<td></td>
</tr>
</tbody>
</table>
**Question:**

When revising for E3 how important is it that you learn each specific step for a certain topic. For example, I have found that the BPP notes have steps to implement scenario planning, steps for benchmarking, steps to using CSF and the list goes on.

Is it ok to just have an understanding of what is required to implement any E3 topic or could a question specifically ask you to give the 5 steps in using say for example scenario planning?

**Response from tutor:**

The examiner may ask you to ‘explain’ the stages in scenario planning but it will definitely be accompanied with the requirement to apply it to the organisation in the question.

If it is a 25 mark section B optional, then the marks for part (a), the theoretical aspect of the question will only be 8-10, well short of the pass mark. It will be the part (b) application aspect that carries the weight of the marks.

The emphasis at this level is very much on using the models to solve business problems rather than just remembering the theories.

**Question:**

I want to know the key strategy how to pass strategy level exams or what's the effectiveness of reading and understanding of past papers.

**Response from tutor:**

Studying and practising to pass an exam is like training for a sport. The more questions you attempt [writing answers rather than just reading them as you suggest you do at present] gives a more in depth understanding of the style of questions set and gets you ‘match fit’ as it were for the actual exam. The more questions you attempt the less likely you are to encounter a situation you are unfamiliar with in the exam.

**Question:**

I have gone through much of the syllabus. The most annoying things I found in E3 and bit of P3 section (e.g control system) is that it is more of a GENERAL discussion under headings. We read the context, find theorist contradicting each others theories and I personally feel that I already knew what I’m reading apart from a few sensible models like Porters value chain etc. but I know I would be unable to score that good in it. In spite of all, I think I haven’t covered everything yet.

What are tactics to deal with the syllabus? And how can we score better marks in exam?

**Response from tutor:**

The simple tactics to deal with the syllabus are to know as much of it as you possibly can and if you reflect on your earlier studies, much of the theory is carried forward from the lower level papers. However the way to score better marks in the exam is to concentrate on applying the theories to the situation in the question/case. All too often students provide answers that ‘describe' when the requirements state such as discuss, explain, evaluate. Examiners at this level are not testing your
ability to remember the theories but you skill in using those theories to analyse and solve strategic business problems.

The technique I recommend to ALL students is to paraphrase the question requirements onto an answer plan. Paraphrasing helps you to consider and understand exactly what the examiner is asking. Examiners for these types of paper always recommend producing an answer plan and I agree wholeheartedly with this approach. This exam requires you to provide relevant examples from the scenario where possible. I would recommend therefore that on your answer plan you write the word ‘examples’ in another colour to remind you. General answers, unrelated to the specific circumstances in the question achieve very low marks in this exam. I use a columnar planning approach as follows

<table>
<thead>
<tr>
<th>What it is / Facts of the case</th>
<th>Why it is important / Who / How / When</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1a</td>
<td></td>
</tr>
<tr>
<td>Q1b – etc…..</td>
<td></td>
</tr>
</tbody>
</table>

**Question:**

Having read the E3 material on IS/IM/IT, I still finding it difficult to appreciate how it fits on any of the past examination questions I have attempted.

**Response from tutor:**

I do not fully understand what your question is driving at. I can only imagine you mean the relevant E3 text. Without knowing which specific questions you have attempted I cannot help you other than to explain what IS/IM/IT is.

IS is the ‘what’ – what information systems does an organisation need – intranets – production control, accounting systems, EIS etc.

IM is the wherefore [I prefer to call this the ‘why’] the human aspects – how humans will interact with and as part of the systems – why the information is needed in the first place – to support management processes [planning, control and decision making]

IT – the ‘how’ – ‘how’ information is delivered around the system – hardware and software infrastructures

**Questions relating to the Strategic level pre-seen material**

**Question:**

From the strategic pre-seen material relating to November 2011, suppose in the November unseen we have a twist that that on a new strategic option for instance the newspaper company going into broad casting and opening a TV channel etc, there arises a conflict between the 3 major shareholders holding about 60% shares in M plc. How are we going to deal with that conflict? can we use the model of Cyert and March which deals with stakeholder conflict
Response from tutor:

Unless the examiner stipulates a specific model in the requirements, you may use any suitable stakeholder conflict model. Make SURE however that you apply whichever model you choose to the business situation – remember this level of exam is not about regurgitating the theory but using it to analyse and solve business problems.

Question:

An article relating to pre-seen material has been published for the May 2010 Strategic level exams, which suggests certain topics to be related to pre-seen part. So my question is that only those many topics are only relevant and we should refer any of them or all those that are mentioned.

It’s not possible to know one answer in all scenarios so how we can proceed with the answer.

Basically I am working full time and study whenever I get time, so I have some questions to ask you.

Response from tutor:

The pre-seen material will be supplemented by additional material issued in the actual examination. There will also be a copy of the pre-seen material contained in the exam. The syllabus areas chosen by the examiner will be tested in the context of both the pre-seen and additional material. It is common practice among examiners, however, to hint at what will be examined via student articles, so whilst not guaranteed, the topics mentioned in the article may possibly appear in the May exam. These are...

- Alternative approaches to strategy – emergent strategies.
- Stakeholder management – how to manage different stakeholders affected by strategic change.
- Change management – how to manage and implement strategic change.
- Strategic choices and evaluation – applying the Suitable, Acceptable and Feasible framework.
- Implementing e-commerce – assessing its strategic benefits.
- Organizational structures – moving towards a divisional structure.
- Ethical conflict – advising on the difference between ethics and CSR, and how ethics impacts upon both the company and the accountant in business.

Do bear in mind that questions will expect knowledge and application of specific models within these key syllabus areas

Question:

Please advise me how best to treat the strategy level pre-seen material in the coming weeks.

Response from tutor:

The Strategic level pre-seen material is provided for three main reasons:
1. To allow you to familiarise yourself with the organisation(s) and industry that will be the basis for Section A of each of the three Strategic Level exams;

2. To help you to recognise the integrative nature of the Strategic Level exams, in that all three of them look at issues that may well exist in any organisation;

3. To prepare you for the process that you will have to follow when you subsequently prepare for and sit the T4 Part B Case Study exam.

In preparation for the Strategic Level exams, you should therefore use the pre-seen material as follows:

• Make sure that you are familiar with the information provided in the pre-seen material, particularly such facts as might be needed in the exam. (Note: you are unlikely to have sufficient time in the exam to re-read this material.)

• Conduct a limited amount of research into the common issues experienced by organisations in the industry. Such research might include web searches, or reviews of industry journals. Be careful not to spend too much time on this, as only a very limited number of marks will be available on the exams for real-life examples and references.

• Use the pre-seen material as a basis for your revision. Each time you revise a topic, theory or model, try to apply it to the organisation or industry described in the pre-seen material. For example, if you are revising Porter’s 5 Forces Model (in E3), you could try to carry out a 5 Forces analysis of the industry described. In this way, you will be rehearsing things that the examiners might ask you to do in each exam. Remember, however, that there will be additional, unseen, material provided in each exam. The purpose of practising the application of what you have learned to the pre-seen is not to prepare answers to potential questions. It is to rehearse the process and improve your skill at applying your knowledge. (Note: the un-seen material provided in each Strategic exam (E3, P3, F3) will be different for each paper – only the pre-seen material is common to all three papers.)

**Question:**

Please advise me how best to treat the strategy level pre-seen material in the coming weeks.

**Response from tutor:**

The Strategic level pre-seen material is provided for three main reasons:

1. To allow you to familiarise yourself with the organisation(s) and industry that will be the basis for Section A of each of the three Strategic Level exams;

2. To help you to recognise the integrative nature of the Strategic Level exams, in that all three of them look at issues that may well exist in any organisation;

3. To prepare you for the process that you will have to follow when you subsequently prepare for and sit the T4 Part B Case Study exam.

In preparation for the Strategic Level exams, you should therefore use the pre-seen material as follows:
• Make sure that you are familiar with the information provided in the pre-seen material, particularly such facts as might be needed in the exam. (Note: you are unlikely to have sufficient time in the exam to re-read this material.)

• Conduct a limited amount of research into the common issues experienced by organisations in the industry. Such research might include web searches, or reviews of industry journals. Be careful not to spend too much time on this, as only a very limited number of marks will be available on the exams for real-life examples and references.

• Use the pre-seen material as a basis for your revision. Each time you revise a topic, theory or model, try to apply it to the organisation or industry described in the pre-seen material. For example, if you are revising Porter’s 5 Forces Model (in E3), you could try to carry out a 5 Forces analysis of the industry described. In this way, you will be rehearsing things that the examiners might ask you to do in each exam. Remember, however, that there will be additional, unseen, material provided in each exam. The purpose of practising the application of what you have learned to the pre-seen is not to prepare answers to potential questions. It is to rehearse the process and improve your skill at applying your knowledge. (Note: the un-seen material provided in each Strategic exam (E3, P3, F3) will be different for each paper – only the pre-seen material is common to all three papers.)

Question:

My question is related to the Strategic Preseen. M plc has a number of important shareholders who own 60% shares. Suppose in the unseen, if there is any conflict of interest among them (for instance) regarding any option of going into the field of broad casting and opening a news channel, how are we going to solve this conflict.

Response from tutor:

In terms of dealing with shareholders of varying opinions, a standard stakeholder conflict model will be appropriate. You need to set out the possible outcomes, after all no consultant in the real business world can say for definite what the reaction of a particular stakeholder group will be. Therefore consider using words such as ‘may’ or ‘could’ in your answer to deal with potentially solving the conflict. Remember stakeholder groups rarely remain in the same position – they will agree and form a powerful coalition of allies in some circumstances, conversely treating their former allies as enemies at a later date over a different issue.

General study tips questions

Question:

I am struggling since long time to get through this subject. I have limited time for studies due to work load but still managing with available time but problem I face is when handling question most of the time I don’t remember what I learned in the notes ????

Appreciate your advice on keeping the theories in memory & handling the E3 paper question well.

Response from tutor:

This subject is not about what you remember/learn from the notes. There are many techniques published for improving the memory which is not my area of expertise. What I would suggest however
is that if you focused your efforts on past questions rather that just reading the study text you would find this more beneficial. Exam technique is an important element of success in this paper and the more questions you practice the more ‘question answering fit’ you will get.

**Question:**

With pre-seen material, what is the best method of valuing DEF if any of the four partners want to sell their share?

**Response from tutor:**

This is really an F3 not an E3 question but the common ways of valuing shareholdings are:

- Fair value – generally, “market value” has been deemed to be a price which an outside buyer, anywhere in the world, would pay for the shares. It also assumes that there is someone other than the existing shareholders who would wish to buy a stake in the Company.

- Balance sheet net assets employed plus a possible premium.

- Price earnings ratio, based on that of a similar firm.

- NPV of future dividends / cash flows using Gordon’s growth model.

**Response from F3 tutor:**

There is no hard and fast rule as to which valuation model or method to use, they have all been developed with the needs of particular organisations in mind. You need to look for clues in the scenario from the examiner as to which equation to use, such as whether the company is geared or not, whether it is listed or not, and which comparator figures have been supplied. This gets easier with practice.

Also, I would say that several of the marks in the situation you contrive would be available for justifying the particular valuation method you have used.