In May, when CIMA's new syllabus is examined for the first time, strategic level paper P6, Management Accounting – Business Strategy, will be replaced by paper E3, Enterprise Strategy. This change has significant implications for students and their tuition providers, so I will go through them here. I will also compare and contrast the two papers and describe my approach to examining E3. Candidates should be reassured that, although Enterprise Strategy is a new paper, it does inherit a substantial amount of material from its predecessor.

The obvious place to start an appreciation of the new paper is CIMA's published syllabus. Its overview states: "E3 continues the integration of skills across functions, but concentrates on developing the knowledge and skills used in designing and implementing strategy. Strategy is developed in a context, and understanding how the organisation's external environment and stakeholders affect strategy development is important. Context and the internal capabilities of the organisation shape the generation and evaluation of strategic options. Implementing strategy involves tools and techniques associated with change management. Finally, the paper requires the application of tools to assist in the evaluation of the performance implications of a given strategy."

The syllabus is split into the following four sections:

A Interacting with the competitive environment (20 per cent weighting).
B Change management (20 per cent).
C Evaluation of strategic position and strategic options (30 per cent).
D Implementation of strategic plans and performance evaluation (30 per cent).

Sections A, C and D were present in P6, albeit with some small changes in wording. The big difference is that section A of the old syllabus ("Assessing the competitive environment") does not feature in E3, while "Change management" (section B) is a completely new addition.

One important result of these changes is that several important strategic models and topics that were in P6 now appear only in the new syllabus for paper E2, Enterprise Management. They are as follows:

- Pest analysis.
- Stakeholder mapping.
- Qualitative approaches to competitive analysis.
- Competitor analysis.
- Competitive strategies.
- Porter's five forces.
- Porter's diamond.
- Approaches to strategy.

But it is crucial not to assume that the subjects in this list will not appear in an E3 exam. As its syllabus preamble states: "It is implicit in each case that material included in the syllabus for any of the papers at the management or operational levels may also be relevant for the purposes of assessment."

The topics in the E3 syllabus that were not present in P6 are shown in table 1 on the next page. In any exam some requirements will have similarities to those of previous papers. This is because some models and approaches are central to any consideration of strategy. Enterprise Strategy – The Official
By way of contrast, a paper could contain a requirement based on material that has not previously been examined. This is likely to be the case with the new syllabus and its introduction of new topics. Therefore, as an example, the table below shows CIMA’s code of ethics as an explicit part of the new syllabus. The code is 81 pages long and it would be inappropriate to examine a particularly detailed aspect of it on the subject’s first appearance in the E3 paper. But a question on some of the principles in part A (“General application of the code”) would be suitable. Subsequent exams would then require further and more detailed knowledge of the code and its application.

As with P6, the E3 paper will have a written three-hour exam, with an extra 20 minutes of reading time allowed beforehand. Question 1 of section A is extremely important, because it is compulsory and carries 50 of the 100 marks available. Its structure will reflect what has been asked in its P6 predecessors. It will contain up to four sections and, possibly, further sub-sections. One of these sections will usually require some numerical analysis relating to the strategic issue in question. These calculations are also likely to reflect themes examined in previous P6 papers – for example, discounted cash flow, internal rate of return, ratios, forecasts, trends and appraisals. This part is likely to carry ten to 15 marks.

Question 1 incorporates an innovation in that it will relate to a pre-seen case study. This case study will be common to all three strategic level papers. Candidates will receive extra case-study material in the exam. This will be about two pages long and will be specific to the exam being sat at that time – ie, the unseen material for E3 will differ from those for both P3 and F3.

It would be difficult for me to construct an E3 exam paper that didn’t refer to important strategic models – eg, Porter’s generic competitive strategies – even though these may have moved from the old P6 syllabus to E2’s. But the emphasis in E3 will be on the candidate’s understanding of the subject and its application to the situation at hand. So, for example, you might be asked to:

- Employ a model as an analytical technique to help make a recommendation.
- Use a model’s structure to satisfy a question’s requirement.
- Evaluate one model’s applicability to a scenario.
- Compare one model’s usefulness against that of another.
- Explore the impact of one model on another.
- Assess models’ strengths and weaknesses.

### The Johnson and Scholes model of strategic management

![Diagram of the Johnson and Scholes model]

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- Assess models’ strengths and weaknesses.

### 1 E3 subjects that were not covered in P6

<table>
<thead>
<tr>
<th>Syllabus section</th>
<th>Subject description</th>
<th>Learning outcome</th>
<th>Indicative syllabus content</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Discuss the drivers of external demands for corporate social responsibility</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Non-market strategy and forms of corporate political activity</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Contemporary developments in the commercial use of the internet</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Customer retention and loyalty</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Business ethics in general and the CIMA code of ethics</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Evaluate the process of strategy formulation</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Evaluate different organisational structures</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Real options</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>Theories of control within organisations</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
Very little, if any, credit will be given for simply describing a model. This is illustrated in the list of verbs on page 7 of the syllabus. Here, the verbs that will be used in the exams are categorised by level. E3 papers will predominantly use verbs from levels four and five – for example, “analyse” and “prioritise” (level four); and “advise”, “evaluate” and “recommend” (level five). You should study this section of the syllabus, because it defines exactly what is meant by each of these verbs.

To explain my approach to mark allocation, let’s consider the following requirement from question 1(d) of November 2009’s P6 paper: “Advise the partners of AA how they might best protect the strategic position of AA, using Porter’s ‘five forces’ model as a structure for your advice. Note: You are not required to draw or explain the model itself (ten marks).” The examiner has made the requirement very explicit and has also stated what is not required. This is good practice, which I will continue in the E3 paper. If this requirement were to appear in the E3 exam, it could be marked in this way. Since the model concerned has five forces and there are ten marks allotted, this suggests that two marks are available per force. Taking the force exerted by suppliers, for example, candidates who answer with “AA must consider the bargaining power of suppliers” would receive no marks, because that constitutes a mere description. They would score one mark if they were to write that “in a knowledge-based business such as AA, its predominant supplier is its staff”, because this relates the model to the case in question. And they would get the other mark if they were to advise AA to “improve its HRM practices and consider introducing restraint-of-trade clauses to employment contracts”, because this gives examples of how AA might protect its strategic position.

The importance of the application of knowledge here cannot be overstated. Strategic level papers often place candidates in the position of a management accountant who is being asked for advice by senior people in their organisation. For example, a board of directors might wish to know how a proposed course of action would affect its stakeholders. Question 5(a) of November 2009’s P6 paper required candidates to “produce a stakeholder analysis for E in country Y”. In this situation, the recipients of the advice would not be interested in an academic discussion of various stakeholder models. But they would appreciate being told who the relevant stakeholders are, how they are categorised and the reasons for their categorisation. Table 2 shows how candidates typically answered this question – and how many marks they would have been awarded.

Each E3 paper will examine all four of the syllabus sections, approximately reflecting their various weightings. Any one question may of course contain requirements from more than one syllabus section. This is particularly likely in the case of question 1, since it carries 50 marks.

The main difference between section B of E3 and that of its predecessor is the number of questions posed: E3 offers three questions and requires candidates to answer two of these. The style of the questions will be similar to that of P6’s and they will be based on a short scenario. One minor change is that the requirements of any given question may not necessarily all follow one scenario. As well as following the guidance I have provided here, candidates would profit from heeding the advice given in the preamble to E3’s Official CIMA Learning System about effective study techniques.

It would be difficult for me to construct an E3 exam paper that didn’t refer to important strategic models.

2 Various answers to question 5(a) of the November 2009 P6 paper

<table>
<thead>
<tr>
<th>Answer</th>
<th>Mark</th>
<th>Examiner’s comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Key players are very important stakeholders.”</td>
<td>None</td>
<td>A general statement that does not relate to the scenario.</td>
</tr>
<tr>
<td>“The government has a high degree of power, because its legislation can substantially affect E – for example, its requirement on the company to find a local partner.”</td>
<td>One</td>
<td>Relates scenario to Mendelow’s stakeholder mapping model.</td>
</tr>
<tr>
<td>“The government has a high degree of interest in E’s operations because it is under pressure from its electorate to be effective in its relationships with business owing to the global economic situation and the absence of economic growth.”</td>
<td>One</td>
<td>Relates scenario to Mendelow’s stakeholder mapping model.</td>
</tr>
<tr>
<td>“The government has both a high degree of power and a high degree of interest in E, so it should be regarded as a ‘key player’ with respect to E.”</td>
<td>One</td>
<td>An appropriate categorisation and justification.</td>
</tr>
</tbody>
</table>