

## Level 3 Certificate in Principles and Practice of Management



International  
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Annual Qualification Review

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## INTRODUCTION

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The annual qualification review provides qualification-specific support and guidance to centres. This information is designed to help teachers preparing to teach the subject and to help candidates preparing to take the examination.

The reviews are published in September and take into account candidate performance, demonstrated in both on demand and series examinations, over the preceding 12 months. Global pass rates are published so you can measure the performance of your centre against these.

The review identifies candidate strengths and weaknesses by syllabus topic area and provides examples of good and poorer candidate responses. It should therefore be read in conjunction with details of the structure and learning objectives contained within the syllabus for this qualification found on the website.

The review also identifies any actual or proposed changes to the syllabus or question types together with their implications.

## PASS RATE STATISTICS

The following statistics are based on the performance of candidates who took this qualification between 1 October 2007 and 30 September 2008.

Global pass rate            50.24%

Grade distributions

Pass                            28.68%

Credit                         14.90%

Distinction                 6.66%

## GENERAL STRENGTHS AND WEAKNESSES

### Strengths

- candidates have a good understanding of theory of management
- in-depth knowledge of the work of the main management theorists
- good understanding of the work of the main functional areas and organisational structures
- the various aspects of human resource management are generally well understood

### Weaknesses

- candidates are not always able to identify the practical implications which follow from the work of the main management theorists
- few candidates are able to refer to current management practices from real life business organisations
- the importance of the global economy and its influence on management practices is not well understood
- candidates are not confident when explaining the role and influence of information communication technology

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## TEACHING POINTS BY SYLLABUS TOPIC

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### **Syllabus Topic Area 1: Management Development**

This section of the syllabus combines a knowledge of the works of important writers in the field of management with the application of their ideas in identifying the role and functions of management.

Specific recommendations are that candidates need to:

- have a good grasp of the work of the main writers identified in this section of the syllabus
- identify how these writers have influenced an understanding of the role of management
- understand the roles and functions of each level of the management hierarchy
- relate management processes and functions to each level of the management hierarchy.

### **Syllabus Topic Area 2: Management Functions**

Although most candidates tend to exhibit a good understanding of the main functional areas, they are generally less clear about how these areas relate to each other with regards to such activities as planning, producing and selling.

Specific recommendations focus upon:

- the need to understand the inter-relationship between the main functional areas
- the influence of the external environment upon business functions
- the increasing importance and influence of the global economy on organisational activity.

### **Syllabus Topic Area 3: Management Structure**

Candidates are generally able to explain the main types of organisational structure and the advantages and disadvantages of each. They tend to be less confident in applying organisational structures to specific case studies.

In teaching this part of the syllabus, teachers are advised to:

- use a range of case studies to compare and contrast the structure of a range of organisations characterised by size, product base and location
- provide the students with real life case studies of centralised and decentralised organisations
- identify the importance of multi-national corporations in the global economy.

#### **Syllabus Topic Area 4: Managing People**

Candidates generally have a good grasp of the work of the main writers in the field of management development. In particular, the works of the motivational theorists are well-covered. Management styles and empowerment strategies are understood although contingency theory is less well-developed.

The teaching points are:

- allocate teaching time equitably across this aspect of the syllabus in order to ensure that contingency theory is covered and understood
- ensure that the main stages involved in human resource planning are linked to specific strategic objectives such as expansion/contraction, re-location, new product development.

#### **Syllabus Topic Area 5: Managing Performance**

Quality systems are generally understood by candidates, although best practice and benchmarking tend to be confused with each other. Although candidates are confident in explaining the budget-setting process, budgetary control and the implications of such control mechanisms are less well-developed.

Financial performance objectives are generally understood but the importance of service standards, customer feedback and customer loyalty in a market-driven environment are rarely mentioned in candidate responses.

In teaching this part of the syllabus, teachers are advised to:

- compare and contrast the performance of different organisations engaged in the same or similar activities
- establish an on-going set of individual case studies based upon share price valuations to identify the influences on organisational performance over time.

#### **Syllabus Topic Area 6: Managing Communication**

The stages in the communication process along with identifying the barriers to effective communication are often the best answered questions. Candidates are less confident in the role of new technology in improving the effectiveness of business communications. In particular, the importance of management information systems is not understood specifically with regards to the decision-making function and risk management.

The teaching points are:

- understand the importance of risk management in the planning process
- explain how an effective management information system can contribute to identifying, evaluating, managing and controlling risks.

## **Syllabus Topic Area 7: Managing Change**

This is a popular question with candidates and is generally well-understood. In particular candidates are able to write with confidence about the various approaches to the management of change with specific reference to those techniques for reducing resistance to change.

Candidates are less clear regarding the implementation of cultural change and the current issues and challenges to management.

Good practice teaching points include:

- the use case studies contained within relevant periodicals which deal with organisational culture and contemporary issues in management
- focussing teaching practice on current management issues in such areas as the impact of the global economy, quality, sustainability, consumer loyalty, skills shortages and the impact of developments in information technology and telecommunications.

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## FURTHER GUIDANCE

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### Before the examination

This is an examination about 'management' so your students should approach their studies with reference to the same principles of management that they have studied throughout their course:

- planning: they must **plan** their studies effectively, particularly with reference to the Extended Syllabus
- organising: they should **organise** their studies in such a way that their notes, essays and revision plans are easy to follow
- co-ordinating: they should make sure that they **co-ordinate** their studies in such a way that different aspects of the syllabus are cross-referenced
- directing: they should understand the role of their teacher in **directing** the focus of their studies
- controlling: they should set themselves specific targets relating to essay grades and progress reports which will allow them to **control** the overall timescale for successfully completing their course of study

It is very important for students to keep up-to-date with contemporary issues which influence organisations and the ability of managers to understand the influences of the external environment and to cope with change.

Case studies can be a useful tool for relating the principles of management to the practice of management. Teachers may find it useful to allocate to their students a particular business organisation at the start of the course and to monitor its progress over the period of the course. Students could feedback to their colleagues any current issues and challenges which are being faced by management including:

- market changes
- new product developments
- impact of Government policies
- reasons for share price fluctuations including financial performance indicators
- impact of stakeholders.

### Examination technique – some useful tips

The following list is by no means exhaustive, but many candidates fail to remember some elementary rules when sitting the examination. In some instances this can lead to failure in the final examination even though the candidate may have sufficient knowledge of the subject matter to obtain a pass mark.

In preparing their students for the examination, teachers should make sure that they familiarise their students with the following best practice approach to examination technique:

- read through the examination instructions before attempting to answer any questions
- read through all the questions on the examination paper
- circle those questions you feel confident about attempting. Do not worry at this stage if you can only attempt one or 2 of the questions. You will find that once you start writing the answers to these questions, your thoughts will begin to flow more freely
- the question with which you feel the most confident should be the first question you attempt

- a preliminary list of main points should be drawn up for each question. This may not be a formal 'plan' of the answer but will be a useful reference.
- do not concentrate on one or 2 words in the question – make sure you fully understand what the question is asking.
- time should be allocated efficiently for each question (with reference to the allocation of marks) and across the examination paper as a whole. In other words, do not spend half the examination answering just one question
- always keep a check on the time
- make sure you answer the required number of question. Even if you can only answer a part of a question make sure you write down everything you know – it could make the difference between passing and failing.

### **Organising information**

In addition to the general approach to examination technique given above, it is also helpful for candidates to remember that most answers to examination questions benefit from having:

- a beginning in which some form of introduction is given
- a logically ordered middle section that gives the details of the information clearly and concisely
- an ending that closes the message by summing up the message very precisely or in some other way 'rounds off' the communication.

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## EXAMPLES OF CANDIDATE RESPONSES

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### EXAMPLES OF CANDIDATE RESPONSES

The examples are taken from the Series 3 2008 question paper. The question is as follows

- (a) *Describe the main components of a business plan.* **(10 marks)**
- (b) *Detail the information requirements of the small firm seeking to expand its operations.* **(15 marks)**

The following answers were written by three candidates in response to this question.

Answer (a) shows a fail response.

Answer (b) shows a pass response.

Answer (c) shows a distinction response.

### **Answer (a) – Fail response**

- (a) The main component of a business plan is that there must be an objective whether it is a corporate objective or strategic objective. There must be a plan and one should consider the type of business and its location.
- (b) The information that may be required of a small firm seeking to expand its operations is as follows:
- is it feasible to do so?
  - take into account the capital that they have in order to invest in expansion
  - assess the different locations in which they wish to expand: careful consideration needs to be made if they wish to expand overseas
  - conduct a PEST analysis
  - consider the Government laws which govern a country.

### **The answer falls well below the expected standards:**

- part (a) in particular lacks detail
- part (b) mentions the idea of overseas expansion but this is unlikely to be an option for many small firms
- reference to a PEST analysis could have been expanded upon.

**Answer (b) – pass response**

(a) The main components of a business plan are:

- Detailing the nature of the business
- Detailing what the organisation is wishing to achieve
- Targets to be met
- The organisational structure – staff required; skill set; management structure
- Finances – where will the funding come from?
- A budget will need to be drawn up and a budgetary control system put in place
- Where is the business going to be located?
- What are the expected outcomes and objectives of the business plan
- Does the business plan fit in with the organisation's mission statement, aims and objectives?

(b) In order for a small firm to expand its operations they will need to take the following into account:

- What is the purpose of expanding?
- What are they hoping to achieve?
- Who is going to benefit from the company expanding?
- How much money is it going to cost for them to expand?
- Possibly carry out a SWOT or PEST analysis
- Will they need to employ more staff? How will they recruit the new staff? Will there be a need to train existing staff?
- How much bigger are they planning to become?
- They need to take into account if it is possible for them to keep the company centralised within the exiting owner base
- Where would be the best geographical location for them to expand to take account of travelling expenses and the possibility of decentralising the small firm?
- They will need to check out any local competition from the larger companies that may be a threat to them if they expand their small firm.

**This answer is much more detailed compared to answer (a) and although it is a relatively straightforward response it nevertheless covers many of the salient points required.**

The answer would have been enhanced if the candidate had:

- expanded on some of the points
- prepared an introduction to contextualise the need for planning and information
- went into more detail re-SWOT and PEST.

## Answer (c) – Distinction response

- (a) A business plan is drawn up to show an organisation's proposition to prospective lenders/buyers. A business plan also lets the organisation see if what they are asking for is realistic. Business plans are usually devised for small entrepreneurial businesses. 90% of small businesses cease trading within 5 years because they have not prepared a business plan and assessed the plan as their business developed. Failing to plan is planning to fail. Elements to a business plan include, projected profit and loss account, balance sheet and cash flow forecast.

The main components of a business plan are as follows:

### Business objective

What will our business be?

Will we be selling a product or service?

### Funding

What money do we feel is required for the business?

### Assets

Where will we set the business up?

Will we rent or buy property?

What staffing is required?

### Market Research

If selling a product, what research have we carried out to show that this is what the people want?

How much will the product cost?

### Competition

Who are our competitors?

Can we compete with them? – are they a small firm or a chain of retailers?

Where in the vicinity are they? – near to where you are or the next town?

- (b) For a small firm to expand its operations it needs to look at the following:

- Staffing – more staff required therefore more salaries to pay
- Possibly bigger premises – renting or buying
- What will the new products/services be? Is there a market for this to work or are they extending on what they already have?
- If extending from the products/services they already hold, is there enough evidence to show that expansion is needed?
- They need to take into account the Social, Legal, Economic, Political and Technological factors of the business (**SLEPT** analysis). Ensuring that all these areas are covered. Also a **SWOT** analysis – detailing internally their strengths and weaknesses and, externally, their opportunities and threats
- The owner may think because takings are up that he/she can do this but the reality is that this may not be enough when all costs are taken into account – for example, more staff, bigger premises, more electricity being used and the additional costs of marketing communications
- It needs to take account of the following – **Cash budget** – drawn up by an accountant to show if sufficient funds are available. **Capital Expenditure Budget** – this is a plan of expenditure on any new plant and equipment. **Sales forecasts** – will identify potential sales turnover over specific time periods. **Department budgets** – will be drawn up which will lead to an overall **Master budget**
- The organisation will also need to look at their **balance sheet** which gives a snapshot of where their organisation is sitting financially at this moment in time and will also refer to their

**trading profit and loss account** which will show where profits were made, what products sold well and where losses were made

- Financial accountants will assist the small firm to look at their profit and loss account and previous trading history whereas management accounts will be able to look at future plans to analyse the cost of any borrowings and the potential break-even point of new products
- The importance of management information in all aspects of the expansion programme is very important in terms of decision-making and reducing business risks.

**This response identifies a candidate who has prepared for the examination and can write with confidence using business terminology. In particular the following should be noted:**

- The candidate's introduction to part (a) identifies a clear understanding of the need for business plans
- The main points in the plan are well-laid out, concise and take the form of specific questions which should be asked by potential investors
- Part (b) although less well-developed than part (a) still shows a clear understanding of the financial information required by the small business and the potential risks of business expansion
- SWOT and PEST have been included to show how these two important concepts assist the planning function.

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