E2 Enterprise Management

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 – Strategic management and assessing the competitive environment

Porter Five Forces and Porters Diamond

Question:
I want to know more about Porters Five forces and Porters Diamond. Is there an easy way of learning and applying to the questions?

Response from tutor:

For both of these models, the verb used in the appropriate Learning Outcome (A1b) of the E2 syllabus is ‘discuss’. This verb is at Level 4 in the verb hierarchy – ‘analysis’. This means that, not only must you be able to apply the two models, but you must also be able to discuss the advantages and disadvantages of alternative courses of action based on them, in any specific context.

For each of the two models, you must be able to:

1 – draw the diagram, and label it
2 – describe the workings of the model, and explain how it may be used
3 – apply the model to a range of business contexts
4 – discuss the relevance of the model, or actions based on its use, in a range of business contexts.

All of these should be covered by any good E2 study material, or any good strategy textbook. Once you have learned the basics, practise picking out facts from scenarios and slotting them into the appropriate place in each model. Then think what the organisation might do, as a result of your analysis.

The easy way to spot which of the two models is being examined, in any particular question about competitor/environment analysis, is to look at the scenario. If it clearly says that the organisation is based in a specific country, and gives information about that country (such as factors of production, infrastructure, related industries etc), then the examiner probably wants you to use Porter’s Diamond. If, on the other hand, the information given relates to other organisations (rivals, customers, suppliers etc.), then the question is most likely about the Five Forces model.
**Question:**

I have a problem following The Porters’ Diamond model on competitive advantage and how it then fits in with the emerging economies. Also, what type of exam question (section B or C) can be drawn from it?

**Response from tutor:**

Porter’s Diamond seeks to explain why a given country can give rise to world class industries of a particular type.

For example, Zambia has a world class copper industry on account of its possession of readily mined reserves of copper. But it lacks an IT industry because of its relatively poor telecommunications industry (due to state ownership and the huge distances between settlements making it very expensive) and lack of investment in IT education.

It can be used in questions:

- Where you are given data about a country and asked to apply the model – just put the data under the headings;
- Where a firm that has been successful in one country, is thinking of going to another. Will the diamond conditions it has enjoyed in the past be present in the new country?
- If a firm from a county is trying to identify its competitive advantage in world markets, you can look at its home diamond conditions and comment on whether they are world-class.

**Question:**

In Porter’s Diamond Framework, what's the different between basic and advanced factors and how are they contributing to competitive advantages?

**Response from tutor:**

Basic factors are ones that are intrinsic to the country such as climate, location, mineral resources, size of population and so on. Porter notes that economists tend to refer solely to these when developing theories of comparative advantage. He makes the point that most developed countries have moved beyond these and have other advanced factors which give them special competitive advantages. These are things like education, and infrastructure. They are the result of past social investment and should be developed as part of government policy in developing countries. They give advantage in the same way as a distinctive competence – they are scare, non-substitutable, and valuable and so the country can monopolise its markets to some extent.

**Method of Strategy**

**Question:**

This is quite confusing to me.

The formal rational approach is known as a method of strategy, and the positioning approach is known as a method of strategy.
They both seem to be identical in their benefits/drawbacks. And I know that the positioning approach is the opposite of the resource based approach.

But then what’s the difference between the formal rational approach and the positioning approach? Same thing?

**Response from tutor:**

You are mixing up two different classifications. The concept of ‘rational strategy’ is in the same classification framework as ‘emergent’, ‘logical incremental’ and ‘adaptive’ approaches. These are general ways to approach the strategy-making (or strategic planning) process.

The ‘positioning’ approach is, as you rightly say, an alternative (or opposite) to the ‘resource-based’ approach. These two look at different ways to gain a strategic advantage or achieve success (either by ‘being in the right place’, or by ‘having/doing the right things’).

Don’t mix the two classifications.

**Question:**

My question is from E-02 Enterprise management, Could you explain the topic emergent strategy in detail?

**Response from tutor:**

Henry Mintzberg (1987) made the distinction between ‘deliberate strategy’ and ‘emergent strategy’. Deliberate strategy is planned in advance. Emergent strategy originates, not in the mind of the strategist, but in the interaction of the organisation with its environment. Mintzberg claims that, in emergent strategy, ideas and actions from multiple sources integrate into a pattern. This is, in effect, a form of organisational learning.

Critics of the concept say that an ‘emergent strategy’ is just ‘making it up as you go along’, and is a convenient way of justifying, after the event, why an organisation was successful despite not having a formal strategy.

**Syllabus area B - Project Management**

**Network Diagrams**

**Question:**

I am a little confused with regards to Network Diagrams and which versions to use in the exam i.e. Activity on Arrow or Activity on Node. The Elsevier & Kaplan books (which does not have AON) do not provide conclusive information as to which to use.

**Response from tutor:**

You may use either. The markers are familiar with both.
**PRINCE2**

**Question:**

I am studying E2 at the moment. Under the topic of PRINCE2, both the BPP book and the official Learning System state that there are 8 components and 8 processes. However, when I studied for the PRINCE2 exam using the official PRINCE2 Manual, there should be 7 components and 7 processes. I am wondering if this is a mistake in the BPP book? If there is a question in the exam on PRINCE2, shall I answer 7 processes or 8?

**Response from tutor:**

7 will be more than plenty so do not worry. Questions on PRINCE are unlikely to go to that level of detail anyway.

**Critical Success Factor**

**Question:**

I would like to know the difference between a KPI and CSF.

**Response from tutor:**

The simple answer is that a KPI will be a measure or number, and a CSF will be a statement.

This comes from project management in IT and has been generalised. For something to happen (a project to succeed, a business to make money) the first question is ‘what needs to happen to make it happen?’ - those things are the CSFs.

The next question is ‘how can we make sure those things happen and are being delivered?’ - that gives rise to KPIs. Setting KPIs means management focus on getting the critical things done, and measuring and reporting the KPIs allows management to monitor them.

**Project Structure**

**Question:**

What are the key characteristics of a matrix project structure?

**Response from tutor:**

The most obvious feature is the project manager standing at the centre of a web. This manager can call on the services of the divisions of the firm (say finance, sales, marketing, R&D, IT and so on) and must co-ordinate them to achieve the project aims. The other feature will be secondment of staff from these other divisions to the project for set lengths of time. The adverse characteristics that result are confusion over where loyalties lie, a maze of cross charging, and high degrees of interpersonal conflict resulting from the divisions each seeking to retain its own autonomy and interests.

**Critical Chain Project Management**

**Question:**

How’s Critical Chain Project Management (CCPM) different from Critical Path Analysis (CPA)?
Response from tutor:

This CCPM is an invention of Goldratt, the inventor of throughput accounting/theory of constraints. In essence traditional CPA starts with the start and finish times of each activity and loads resources into each activity to achieve the set times. The activities are fixed, so the resources must be increased and decreased as needed. This is a bit unrealistic because it leaves resources idle a lot of the time, and pays fortunes in overtime at other times. CCPM seeks to keep the resource loading constant and instead emphasises shifting them between activities (and varying the start times of activities) to keep them busy. Each activity has an earliest start time and a latest finish time on the critical chain, and free resources are shifted to start projects earlier or speed them up as needed.

Syllabus area C - Management of Relationships

Contingency theory on leadership

Question:

I don't quite understand the contingency theory on leadership. I would highly appreciate if you can kindly explain and provide examples, please?

Response from tutor:

Most of the early management theorists, whether writing about motivation or leadership, tried to identify the ‘one best way’. Think of ‘scientific management’, or Herzberg’s motivators and hygiene factors. Of course, such approaches can only ever have limited success, as businesses (and people) are very complex and every situation is unique.

Contingency theorists recognise this, and propose that a manager/leader should be sufficiently skilled to be able to create a unique solution to each unique problem. Such theorists tend to look at the range of variables underlying a problem, and give a ‘toolkit’ of different partial solutions that might be combined to solve that problem. I often think of contingency theorists as the ‘it depends’ school – there is no standard solution, the ‘right’ approach depends on the situation.

For example – is it better to be an authoritarian manager, or a participative manager? Clearly, each approach has its merits and disadvantages. The skilled manager would always adopt an approach somewhere in between the two extremes, and would select a different ‘style’ of management/leadership to suit each unique combination of circumstance and individual. Think of a teacher in the playground. A good teacher knows when to shout and when to ask.

General Exam Questions

Question:

Hi, I am currently re-sitting E2. At the last sitting I felt as though I knew enough theory to answer all the questions to enable me to pass the paper. This wasn’t the case, but having read the model answers, I feel my technique to directly answer the question may be at fault.

Is there any advice you could give me to help me directly answer the question asked and not to brain dump a question?
Response from Tutor:

Brain dumps do not gain marks as you clearly realise.

The approach I recommend is to remember that you are being asked to solve the problem using appropriate theory, and not to illustrate all the theory using the problem. Therefore a good approach is:

1. Skim the first sentences of the scenario to get a sense of the industry and firm;
2. Read the requirements and decide which area of theory they relate to (i.e. which bits of theory could be used to explain or to analyse the problem further);
3. Read the scenario and see whether the information favours one theory or another: for example, if the requirement mentions environment and the scenario describes entrants and competitors, then it's fair to assume that Porter's 5 Forces is being looked for;
4. Discuss the problem using the heading of ONE theory (not all of them) and don't spend time describing all you know about the theory. Get down to solving the problem.

Question:

How many page/s of answers do I need to write for Type A - 10 marks questions & Type B - 25 marks questions for Paper E2?

Response from Tutor:

It is quality, not quantity of course that is important.

For the 10 mark question you need to think in terms of 1/2 to 1 side of A4 paper per 10 mark question.

For the 25 mark questions it will be about 3 sides. I realise that this seem unbalanced but, in my experience, Part A tends to reward breadth of knowledge and Part B rewards depth.

Question:

Are you allowed to use real life examples about companies in the real world, in questions that don't have scenarios/ have short scenarios? And if so what types of companies do u recommend to be used? Only international ones and U.K companies or can we use local companies from our own countries?

Response from tutor:

This is a good question. Certainly do not use real world firm in the questions which do have scenarios. In those questions the data you need will be in the scenario.

In the other questions using a real world example may help if the verb is high level such as 'Illustrate' or 'Explain' because the example may help you to get your point across (for example - illustrate the difficulties of poor project management, marketing mix and so on). But it the verb is low level, such as 'list', 'define' or 'state' - there really is no need for an example.
But real world examples should never take up more than a sentence, and I would suggest 2 or 3 in a
script would be the maximum. They add seasoning to answers which catch your marker’s attention,
but don’t over-use them.

**Question:**

I am a student who is taking Enterprise Management paper this year. There are two questions I have
regarding this session’s exams.

The first question is what would be the areas I should focus more on when studying for the exam?

When marking the paper what are the key points the examiner will be looking for in an answer? And
how could we make an answer better?

**Response from tutor:**

There are no ‘key areas’ I’m afraid. You must study the entire syllabus. To do otherwise is to take a
big risk.

The examiner produces a very detailed Post Exam Guide
(http://www.cimaglobal.com/Students/2010-professional-qualification/Management-level/E2-study-
resources/Exam-guides/) after each paper. You can download these guides for the last 4 or 5 exams,
and the past exam papers (https://secure.cimaglobal.com/My-Cima/Student-information/Past-exam-
questions-and-answers/), themselves, for free from the CIMA website. Here the examiner tells you
exactly what she was looking for and where marks are won and missed. Reading these is an
essential part of pre-exam preparation and you should allow a day to do this.

But, to summarise, a marker will be looking to see if you have understood the question (the verbs, the
issues being tested and so on), whether you have identified appropriate theory of frameworks relevant
to the issues in the questions, whether you have related these to the scenarios effectively (therefore
you are solving the problem in the scenario using theory rather than using trigger words in the
scenario as an opportunity to write an essay about what you have read) and...really
important...whether you use all this to give advice to management or draw out the implications for the
organisation and situation in the scenario.

**General Study Questions**

**Question:**

Kindly guide me in detail how to prepare and pass, or what to focus on. What is the right way to pass
this paper?

What are the tools to clear concepts and how to solve questions of this subject while doing self study?

**Response from tutor:**

The first key to passing Paper E2 is ‘analysis’. It is not enough simply to know all the theoretical
models and approaches – you also have to be able to apply those models/approaches to a range of
different organisations, industries and projects.
Many of the Learning Outcomes in the E2 syllabus are at Level 4 of the verb hierarchy – ‘analysis’. This means that, not only must you be able to apply the relevant models/approaches, but you must also be able to discuss the advantages and disadvantages of alternatives, in any specific context.

Practise selecting the most appropriate model/approach, or the most appropriate course of action based on a model/approach, and arguing why you think it is the most appropriate.

The second key to passing Paper E2 is ‘Project Management’. This represents 40% of the study weighting, so you need to spend 40% of your study time preparing to satisfy the Learning Outcomes in this syllabus section. You should find 40 marks on those Learning Outcomes in any E2 exam.

**Question:**

Re Operational & Managerial papers, What would you consider on average the number of hours for preparation per paper for both the operational & managerial levels?

**Response from tutor:**

CIMA’s guideline is about 200 hours of study time, per paper. An hour ‘in class’ equates to about 2-3 hours of self study.

So, if you are studying at home, aim for 200 hours. If you are at college for 50 hours, for one paper, an additional 50-100 hours of self study should suffice.

**Question:**

Respected Tutor, I’m facing problems concerning E2 theories. Do we have to remember all the theories of the theorists? I know few bold theorist like Taylor, Porter five forces, Fayol are prerequisite, but what about the 7S, Fayol's 13 points, 4Ds and other dozen theorists in almost every section of the CIMA study book? I’m actually self studying, so need guidance from you on this matter.

**Response from Tutor:**

This is a serious exam. You are required to learn the knowledge laid down in the syllabus. The knowledge you need to know is in the CIMA Learning System.

So the answer is ‘yes’. You need to know the names of the theories, the names of the people who wrote them, the main points in the theory, and the main recommendations and conclusions the theory gives rise to.

**Question:**

I am confused as to how to prepare for this exam. Say if you take a certain topic, am I expected to just understand the article or prepare such as to have every point on my fingertips? In short, if I am going to answer a scenario question, could I answer it with a broad mind (maybe even drawing from personal experiences) with the CIMA material aiding me or would I have to make sure my answer maps well with the material in the book.
Response from tutor:

I'm not sure what 'article' you are referring to. I assume you are asking about what you need to take away from reading the text and articles relevant to E2.

Answering with a 'broad mind' sounds to me like answering from 'common sense'. That is a sure recipe for failure. The E2 examiner is examining a syllabus. The syllabus contains technical theories on project management, strategy, HR and so on. The examiner has the job of ensuring that the exam questions check that you have read and understood this and that you have some idea of how it applies to real business situations (hence the setting of scenario questions).

Having common sense and drawing on experience helps provide a better answer, but it is no substitute for knowing the underpinning knowledge.

As you read the text you should note and then memorise key points such as the stages in processes (for example planning, project management), the elements of a model or framework (for example 5 forces, Ansoff matrix), the names of the person who wrote the theory, and the key pros and cons of something.

But most important - have a look at the examiner's Post Exam Guides (http://www.cimaglobal.com/Students/2010-professional-qualification/Management-level/E2-study-resources/Exam-guides/) and compare them to the past exam question papers (https://secure.cimaglobal.com/My-Cima/Student-information/Past-exam-questions-and-answers/). That will show you what she is looking for.

Note: you will need your My CIMA login and password to see the past question papers.

Other Questions

Question:

Hello, my question is related with E2. I failed E2 in May and believe I am not the only one who felt E2 under the new syllabus was far more difficult than the old P5. For example, the question on critical path analysis used to be worth 10 marks. However, it was 4 marks only in the E2 sitting. I am questioning about how to pass E2 in November resit?

Response from tutor:

I don’t think the exam has become more difficult and I don’t think you can draw this conclusion on the basis of a single sitting. The examiner is not bound to set questions on CPA, or to keep the mark allocations the same.

Paper E2 is very similar to the former P5, except that it has more of the Environmental Analysis and Strategic theories in it than before.

I suggest you look at the post exam guide (PEG) written by the examiner to pick up tips, and inspect the pilot paper and the May exam and solutions. You should also look at a good quality revision kit.

I hope you have more success next time.
**Question:**

This question is about activity on nodes. In the example given in page 232 in the official CIMA learning text, I don't understand the following:

1. How the Earliest event time for node A is 6, when there are no precedent activities?

2. Why the duration of activity D on node D is taken as 2 instead of 1 according to the information table?

3. Why do you take 7 for the latest event time for node G? Is it because taking 11 (the higher of 11 and 9 of paths ACG and BDG) and deducting the activity duration of 4 of activity G?

I do my studies at home by referring to CIMA publications and the above have been confusing me and I want to clear it before I sit for my exam. Thanks.

**Response from tutor:**

I'm afraid two typos in your text book have made this unnecessarily hard for you. We are sorry about this and will pass this observation on to the publishers.

On page 231 you are shown the layout of a node as having the EST on the left and the LST on the right. However in the solution on page 232 the EST is shown on the left of each box, and the LST on the right. Hence Activity A appears to have an EST after its LST, which as you say makes no sense.

The duration of D is wrongly typed somewhere - either in the data table or in the solution. In fact it doesn't affect the rest of the solution because D is not on the critical path even if it takes 2 weeks.

Find more corrections of errors, on Elsevier’s CIMA Study News blog.