Examiner’s Report

Unit Title: Innovation and Business Performance
Unit Code: 5UIBP
RQF Level: Level 5
Session: June 2019
## Comments on Learning Outcome and Assessment Criteria Performance

<table>
<thead>
<tr>
<th>Learning Outcomes &amp; Assessment Criteria</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LO1: Apply measurement techniques as an aid to business performance</strong></td>
<td><strong>LO1 AC 1.4 was assessed in Question 1.</strong> The question required demonstration of knowledge of the purpose, and sought evidence of application, specifically for the airline operations.</td>
</tr>
<tr>
<td>1.1 Discuss the role of measurement in the management of business performance</td>
<td>A large number of candidates were able to offer reasonably good description of the reasons for which performance measurement is required. Many demonstrated knowledge of quantitative and qualitative measures, with some strong responses clearly applying it to the airline industry. As a result, a considerably large number of candidates scored 4 to 5 marks. Weak responses mostly suffered from lack of focus.</td>
</tr>
<tr>
<td>1.2 Discuss the behavioural issues that can impact the setting and utilisation of business performance measures</td>
<td><strong>LO1 AC 1.3 was assessed in Question 5.</strong> The requirement of this question from Section B was a very focused and balanced discussion on the ‘key considerations’. A number of candidates could not understand the requirement of this question, and as a result, build their responses either on the ‘SMART’ principle (specific, measurable, achievable, realistic and time bound) or ended up describing the balance scorecard framework of performance measurement, describing its various elements. A number of candidates failed to score any mark on this question. However, there were a reasonable number of strong responses that scored full 10 marks. Since the ‘SMART’ principle is partially valid though not completely relevant as a response, positive marking was adopted with up to 2 marks awarded for development.</td>
</tr>
<tr>
<td>1.3 Recommend the basis for developing metrics that are useful for monitoring and measuring business performance</td>
<td><strong>LO1 AC 1.1 was assessed in Question 8.</strong> Candidates were expected to assess the importance of a statement in relation to the balanced scorecard framework. Evidence was also required for application and development in the context of a specific industry.</td>
</tr>
<tr>
<td>1.4 Apply key measures of business performance for specific business functions</td>
<td>A majority of candidates could easily explain, describe and discuss the various elements of the balanced scorecard framework even though application and development were weak. These responses were limited to Level 2. However, there were a few very comprehensive responses that discussed – within context – the growing need for integrating the narrow, short-term, one-dimensional financial measures into a holistic and expansible framework of performance measures for superior agility and market-orientation instead of reflection. These responses could breach mid-Level 3, with a few crossing the threshold of Level 4 also.</td>
</tr>
<tr>
<td>Question</td>
<td>Assessment</td>
</tr>
<tr>
<td>----------</td>
<td>------------</td>
</tr>
<tr>
<td>LO2: Discuss the sources, drivers and patterns of adoption of innovation in goods, services and ideas</td>
<td>LO2 AC 2.4 was assessed in Question 2. The question required explanation of the notion of discontinuous innovation through the perspective of a ‘new market’. A reasonable number of responses were easily able to explain discontinuous innovation as disruptive in nature, and could explain its impact on the market. Almost all responses – including the ones with weak theory – presented a relevant example (mostly Netflix). For this reason, most candidates were able to get at least 1 mark. The category of weak responses confused discontinuous with incremental innovation. Overall development, across responses, was just adequate.</td>
</tr>
<tr>
<td>2.1 Explore the concept of innovation and assess its relevance to business performance</td>
<td>LO2 AC 2.2 was assessed in Question 6. This question required candidates to assess specifically the ‘decision stage’ in the 5-stage mechanism of diffusion. The candidates were expected to demonstrate knowledge of what this stage involves from the perspective of potential consumers, what response is required from the innovator to facilitate a positive decision, and the likely outcomes. Responses were mixed and showed partial understanding. Majority of candidates lacked focus and discussed bell-shaped diffusion process through various categories of consumers, moving from early adopters to laggards. Describing these categories was not truly relevant. Many weak responses also briefly discussed the 5 stages. Positive marking was adopted for these responses with up to 2 marks for reasonable identification and development. The strongest responses were able to direct their argument towards the innovator’s opportunity to create a ‘dominant design’ in the event of positive decision by early adopters, and subsequent diffusion through layers of other consumers.</td>
</tr>
<tr>
<td>2.2 Examine the theories and models of innovation</td>
<td>LO2 AC 2.1 was assessed in Question 9a. This was part 1 of an optional question. Candidates were required show evidence of application and logical analysis supported by knowledge of specifically the potential for ‘product’ and ‘process’ innovations. Marks were awarded in three levels based on the depth of development led by sound theory. A majority of candidates were able to demonstrate basic knowledge of the two types of innovation. The best answers further carried the discussion with basic examples of possibilities that existed. Very few could give evidence of depth of knowledge and showed the ability to integrate relevant theory with the structure of the supermarket industry to arrive at robust analysis in the given context. A few strong answers could explicitly discuss finer aspects of relevant theory – for example, the need to sustain incremental innovation for both products and processes with the aim to maintain customer loyalty and gain competitive advantage.</td>
</tr>
<tr>
<td>2.3 Examine the phases in the innovation life cycle of a typical product or service.</td>
<td></td>
</tr>
<tr>
<td>2.4 Compare and contrast the different adoption patterns of innovation</td>
<td></td>
</tr>
<tr>
<td>2.5 Appraise the environmental factors that are relevant to an innovative business undertaking</td>
<td></td>
</tr>
<tr>
<td>LO3: Assess the information requirements needed to manage the levels of innovation within an organisation</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td>3.1 Appraise the characteristics of an innovative organisation</td>
<td></td>
</tr>
<tr>
<td>3.2 Assess the impact of innovation on overall business performance</td>
<td></td>
</tr>
<tr>
<td>3.3 Evaluate some of the common methods of measuring the extent and successes of innovation in a business</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LO3 AC 3.2 was assessed in Question 3. The question required discussion on the potential drain on an innovating firm’s financial resources. However, the mark scheme was modified to include potential gains from innovation as well. This was done after reviewing the standardisation scripts. This change in the mark scheme was a deliberate adoption of positive marking.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A large number of candidates focused mostly on the positive financial outcomes such as increase in profitability, sales revenue etc. Few strong responses could correctly discuss the capital-intensive nature of innovation, its impact on short-term profitability, drain on cash reserves and possibility of increase in debt. Weak responses were generic and failed to mention any financial fallouts of innovation.</td>
</tr>
</tbody>
</table>

| LO3 AC 3.3 was assessed in Question 9b. This question was also assessed in an earlier exam series. However, once again, a majority of candidates were unclear on the knowledge it sought. While the question expected the candidate to discuss review of an innovation project on its completion, a number of weak responses discussed it from the perspective of post-product launch. For example, ‘review reveals whether innovation has increased sales or met the customers’ needs’. This lack of focus perhaps resulted from lack of learning, and therefore a majority of candidates scored within 6 marks. However, once again, positive marking was adopted. |

<p>| LO3 AC 3.1 was assessed in Question 10a. This question sought evidence of knowledge, application and the ability to evaluate the efficacy of innovation driven by core competencies. The topic has been assessed in earlier exam series. A majority of candidates could not show depth in the theory of innovation led by a firm’s internal resources and capabilities. Knowledge was mostly implied in the examples offered. For this reason, a large number of candidates were confined to mid-Level 2 marks. Only a few could get basic Level 3 marks. Better responses stretched arguments by discussing the notion of open innovation, and the need to avoid turning competencies into rigidities in a fast paced industry. Overall, evaluation skill was weak across responses. |</p>
<table>
<thead>
<tr>
<th>LO4: Evaluate the risks and uncertainties that innovation creates for business performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Appraise the risks and uncertainties associated with innovation that may affect business performance</td>
</tr>
<tr>
<td>4.2 Discuss the potential causes of failure in innovation activities</td>
</tr>
<tr>
<td>4.3 Assess the legal and ethical issues that can pose risks to innovation performance</td>
</tr>
<tr>
<td>4.4 Analyse the key ethical issues pertaining to innovation and the implications for corporate social responsibility and governance</td>
</tr>
</tbody>
</table>

**LO4 AC 4.1 was assessed in Question 4.** This question has appeared in earlier exam series. Majority of responses were basic but valid. The development was minimal but adequate to gain marks. A number of candidates identified and explained government risk. Many others identified competitors’ agility in commercialising similar innovation as a risk.

**LO4 AC 4.3 was assessed in Question 7.** This question also has appeared in earlier exam series. The responses reflected knowledge. Many candidates gave evidence of understanding of IPR’s benefits as well as costs involved, and challenges encountered. A large number of candidates mentioned ‘trademark’ as application in context. However, only a few could show incisive understanding of the financial implications of IPR for a start-up in a highly competitive market.

**LO4 AC 4.4 was assessed in Question 10b.** A majority of candidates understood the essence of this question, and could draw a conclusion in favour of exploring new product possibilities outside of core competencies, either through open innovation or through new product development internally. However – though within context – most responses were basic in theory of both, core competencies and sustainable innovation. Knowledge was mostly implied through examples, and sound analysis was rare. Therefore, overall, it was a low scoring question for both parts.
Question 1
Describe the purpose of performance measurement for operations within a firm. Support your answer with one example relevant to the airline industry.

Learning Outcome

- LO1 Apply measurement techniques as an aid to business performance

1. Comments on learners’ performance

The key to answering this question was to pay attention to the terms ‘operations’ and ‘purpose’. The requirement was not in context of the marketing, finance or any other function, but specifically for the operations function. Majority of candidates could answer the question but did not build a robust linkage between performance measurement and the operations objectives (cost, quality, speed, flexibility and dependability) in an industry – such as the airlines – which is highly competitive. Even though the question is worth just 5 marks, a well-prepared candidate should have been able to articulate a pithy response that offered evidence of superior insight.

2. Recommendations

It is important to refer to textbooks in addition to the official study guide. A good way to start is by browsing all topics in the syllabus in the ‘Google Books’ section to identify the sources of knowledge. For instance, by searching the words ‘performance measurement operations function’ in Google Books brings up Andy Neely’s book “Business Performance Measurement – Theory and Practice” on top of the search. This book is an essential reading material for this syllabus.

3. Quick Tips

Start with a sound knowledge point. For example, development can be preceded by a point such as: ‘In competitive industries, such as the airlines, it is imperative for operations to be efficient in terms of cost, and effective in terms retaining loyal customers by providing expected quality. The purpose of performance measurement is to ensure that these critical operations objectives of cost and quality are achieved without a great trade-off between the two.’
Question 2
Explain how the emergence of a new market acts as a source of discontinuous innovation. Support your answer with ONE example.

Learning Outcome

- LO2 Discuss the sources, drivers and patterns of adoption of innovation in goods, services and ideas.

1. Comments on learners’ performance
The fundamental approach to answering such questions is not to treat examples as a substitute for theory. Knowledge must be demonstrated explicitly. The responses were basic and most candidates could identify ‘discontinuous’ as ‘disruptive’ and explain in very basic terms, how nimble niche innovators destroy existing market structures and run away with the incumbent’s advantage. The examples were standard and most candidates could give evidence of knowledge through a relevant example even when theory was basic.

2. Recommendations
‘Managing Innovation’ – the book by Tidd and Bessant offers good knowledge on the topic supported with very interesting examples. Many other sources of knowledge are available and easily accessible too. Harvard Business Review (HBR) articles on discontinuous innovation are worth reading.

3. Quick Tips
“Disruptive Technologies: Catching the Wave” by Joseph L. Bower and Clayton M. Christensen from Jan-Feb 1995 issue of HBR is a good starting point. For critique, refer to HBR article “Where Disruptive Innovation Came From” by Donald Sull (Nov. 2015). Both articles are available online.
**Question 3**
Discuss how a major innovation project might impact a firm’s financial performance.

**Learning Outcome**

- LO3 Assess the information requirements needed to manage the levels of innovation within an organisation

1. **Comments on learners’ performance**

This question was not understood properly. It requires the financial impact of undertaking an innovation project, and not the post launch potential gains in the event of successful diffusion. An innovation project is almost always capital intensive. It uses cash, and in some instances, increases debt. Sales, potential for enhancing profits and market share happen only once innovation experiences widespread adoption. Most candidates assumed the latter and answered accordingly. This line of thought was not truly relevant.

2. **Recommendations**

Understand whether the question is seeking a response on ‘what’, ‘why’ or ‘how’ or a combination. For example, this particular question wants the response on: ‘how innovation project impacts…’

3. **Quick Tips**

Refer to the brief discussion on this topic in the online article “Innovation Orientation Outcomes: The Good and the Bad” by Simpson, Siguaw and Enz (2006) to increase understanding.
Question 4
Describe TWO risks, for an organisation associated with innovation.

Learning Outcome

- LO4 Evaluate the risks and uncertainties that innovation creates for business performance

1. Comments on learners’ performance

Majority of candidates attempted this question and gave evidence of understanding its requirement. There was no gap in skill or subject knowledge that could have been a barrier to achieving the LO.

2. Recommendations

Use a question like this one as an instrument to build overall marks.

3. Quick Tips

Do not exceed the number of key knowledge points required by the question. For example, two is the limit in this case. Just identify two valid reasons and develop them adequately to gain full marks.
Question 5
Discuss the key considerations in the development of an effective business performance measurement system.

Learning Outcome

- LO2 Discuss the sources, drivers and patterns of adoption of innovation in goods, services and ideas.

1. Comments on learners’ performance

This question drew mediocre performance, and the prime reason for this may be that candidates interpreted it simplistically and responded with knowledge of ‘SMART’. For example, the letter ‘M’ in SMART stands for measurable. So by stating that a performance measurement system should be measurable is giving evidence of basic and partial learning. It is NOT the system, but performance needs to be measurable. However, that’s not the key or relevant consideration because the primary aim of the system is to measure performance. Similarly, responses that described the elements of a balanced scorecard were not relevant in this context. A balanced scorecard is just one of the many approaches adopted to measure performance in relation to the organisation’s corporate strategy.

2. Recommendations

Pay attention to the term that links the command word with the topic being assessed. In this case, the word is ‘considerations’ or in other words, critical factors to be considered. Yes, ‘being balanced’ instead of being ‘narrow’ could be an important consideration but that does not mean the question is seeking a description of the ‘balanced scorecard’.

3. Quick Tips

The syllabus is deep and therefore it is important to explore all topics as questions may be sourced from any assessment criteria.
Question 6
Assess the importance of the ‘decision stage’ in the innovation-decision process (Everett Rogers, 1983) for the adoption by consumers of an innovative new product.

Learning Outcome

- LO3 Assess the information requirements needed to manage the levels of innovation within an organisation

1. Comments on learners’ performance

This question was sharply directed and left no ambiguity for a well-prepared candidate. The requirement was to assess the importance of a particular stage in a multi-stage process. A large number of responses were constructed with aspects of theory that were accessories to the stage being discussed. For example, the discussion on various diffusion through adopter to laggards is not relevant unless a linkage between early adopters and the decision stage is established. Even in that case, it cannot be the core answer as the question seeks knowledge of how the decision stage unravels, what impact it creates, and if the innovator could manage, and how? As a result, the only candidates who could produce a meaningful discussion were the ones that kept a sharp focus on the ‘decision stage’.

2. Recommendations

Maintaining focus in the response is an important skill. When the question is specifically directed with the key area being discussed mentioned in single quotes, then all arguments should be linked to the area under discussion. There is no need to explain, describe or discuss elements unless a robust link can be established to build a meaningful discussion. However, this can happen only when topics have been well covered in the classrooms and through self-study.

3. Quick Tips

Orient your learning towards the finer aspects of theory to be able to produce a sharply focused response.
Question 7
Discuss why a firm should invest in protecting its intellectual property. Support your answer with the example of ONE relevant intellectual property right (IPR) for a firm that has just launched a sports clothing and footwear range.

Learning Outcome

- LO4 Evaluate the risks and uncertainties that innovation creates for business performance

1. Comments on learners’ performance

This was an ideal knowledge driven question that sought basic application. Most candidates performed well because the question was straightforward, and the context recognisable. However, well-prepared candidates went a step further to identify and discuss challenges associated with IPR investment. A very few reversed the question by offering argument against IPR and in favour of open innovation. However, there was a lack of depth in application within the given context. For example, in this mostly low-technology industry, collaboration is rare and product parity is rampant. Firms in the industry also incur a heavy cost by sponsoring athletes. Brand name is the driver of sales revenue and market share. Therefore, any opportunity to maintain and protect product differentiation may be a source of competitive advantage. IPR is one of the most important instruments for achieving this.

2. Recommendations

Intellectual property rights (IPR) is a very accessible topic with a large number of sources of knowledge. These should be accessed and understood. IPR, being a specialised legal stream, can also be considered as a future career.

3. Quick Tips

A good learning resource for this topic is the chapter on managing intellectual property in Henry Chesbrough’s book ‘Open Innovation’. Check online for its PDF version.
Question 8
“The balanced scorecard expands the set of business unit objectives beyond summary financial measures.” (Kaplan and Norton, 8: 1996).

Assess the relevance of this statement for a firm engaged in manufacturing large scale kitchen appliances.

Learning Outcome

- LO1 Apply measurement techniques as an aid to business performance

1. Comments on learners’ performance

Majority of candidates could understand the essence of this question. In majority of responses, the knowledge presented was basic. Only few candidates could develop it in a very sound manner by presenting deep, insightful arguments. So while the framework is strong when compared to the narrowly focused and traditional financial measures, it also has its inherent weaknesses. It is the assessment of these shortcomings of this popular and well‐accepted performance measurement framework, which when discussed, would add depth to the response. The application was also basic and few could unravel the nature of the industry for building up an argument on the potential effectiveness of balanced scorecard for the firm. For example, is the industry characterised by faced‐paced innovation, and therefore, is there a need for having a complex performance measurement system such as the balanced scorecard?

2. Recommendations

When the command word requires the candidate to assess, a two‐sided discussion is expected. To be able to do this, practice researching and reading multiple perspectives.

3. Quick Tips

An accessible 25 marks question such as this one, a comprehensive and detailed response should be produced in a series of logical arguments.
Question 9

‘G for Grocery’ is a supermarket that operates in markets that are experiencing fast paced changes in consumer tastes and preferences, and also environmental regulations.

Q9a. Analyse how this supermarket might cope with the changes by adopting product and process innovation. Support your answer with TWO distinct examples.

Q9b. Discuss the benefits of reviewing the supermarket’s innovation project on its completion.

Learning Outcome

- LO1 Apply measurement techniques as an aid to business performance

1. Comments on learners’ performance

The theory in both parts was accessible, with Part B being very straightforward question that has been assessed in the earlier exam series. However, the majority of candidates could only scratch the surface of theory and failed to produce substantive responses.

In Part A, a large number of candidates just briefly set the tone with basic definitions of ‘product’ and ‘process’ innovations. Application was mostly basic too, and was mostly in the form of a series of well-developed examples (‘introduce exotic vegetables and fruits’, ‘set up online shopping’ and ‘adopt sustainable packaging’ among others). These examples in the context were treated as a substitute for knowledge. Not many noted that ONLY two examples were required. Analysis was weak. What was expected, though, was logical analysis flowing from knowledge applied in context. This was only possible through synthesis. For instance, the application of theory of sustainability; the stakeholders’ pressure and therefore the need to make investment in innovation; the theory of changing business models in an industry that is crowded and cost driven; the high cost of innovation; the risk of investing in e-commerce driven processes which competitors could easily imitate.

In Part B, the requirement was NOT discussion of the consequences of launching a successful innovation but of the benefits of reviewing the project, whether resulting in successful innovation or not. The focus was on theory rather than application in context. Generic points such as ‘whether customer satisfaction was achieved’ or ‘whether there was an increase in sales and market share’ were mostly irrelevant. There were however candidates who produced relevant and focussed discussion.

2. Recommendations

There is a fundamental rule to answering questions that ask for examples in a context: examples cannot be treated as the substitute of theory. Candidates are expected to demonstrate substantive knowledge and integrate examples with theory for driving the argument.

3. Quick Tips

Depth in theory can only be achieved by reading the topic from recommended textbooks.
Question 10
ABC Inc. is a successful global firm that constantly expands its product portfolio with innovative end-user products based on core competencies developed over the years in compact yet powerful diesel engine technology.

Q10a. Evaluate whether core competencies are an effective route to sustain competitive advantage in the long run.

Q10b. Examine how society’s growing expectations of organisations to be environmentally responsible might impact ABC Inc. if it fails to consider new product possibilities beyond its core competencies.

Learning Outcome

- LO2 Discuss the sources, drivers and patterns of adoption of innovation in goods, services and ideas

1. Comments on learners’ performance

There was clear evidence that a large number of candidates did not prefer this question in comparison to the other two optional questions. Both parts required theory based discussion.

For Part A, evaluation of the efficacy of core competences was the requirement. Though there was evidence of basic knowledge (‘resource based’, inimitable’ and ‘valuable’), only a very few candidates extend the theory to ‘core rigidities’ and its implications. Some good responses weighed the possibilities offered by open innovation for a firm rooted in core competencies based advantage. However, theory based evaluation was either missing or very weak.

For Part B, candidate was expected to synthesise and come up with a response that built linkages between core competencies and stakeholders’ expectation of sustainable innovation, while examining the implications for an organisation that has locked a great deal of investment – into physical plants, technical mastery in a certain technology domain, R&D, human resource capabilities – for building core competencies. There was also a good scope for arguments on need to transform the organisation’s attitude from closed to open innovation, given the pace of innovation in the industry and the challenges in building new competencies in-house.

2. Recommendations

This question comes from the resource-based theory of innovation management. The inspiration for the question comes from the example of the competitive advantage enjoyed by Honda Motors because of innovation driven by its core competencies that has led to creation of new markets for the global automobile giant. To answer this question, it is not just enough to read textbooks on innovation management but also on strategic management. There are a number of Harvard Business Review articles on core competencies, which should be accessed for better understanding.

3. Quick Tips

Read case studies on strategic management and innovation management.