

ACCA

**Strategic
Professional – Options**

**Advanced Performance
Management (APM)**

Study Text

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How to Use the Materials

These Kaplan Publishing learning materials have been carefully designed to make your learning experience as easy as possible and to give you the best chances of success in your examinations.

The product range contains a number of features to help you in the study process. They include:

- 1 Detailed study guide and syllabus objectives
- 2 Description of the examination
- 3 Study skills and revision guidance
- 4 Study text
- 5 Question practice

The sections on the study guide, the syllabus objectives, the examination and study skills should all be read before you commence your studies. They are designed to familiarise you with the nature and content of the examination and give you tips on how to best to approach your learning.

The **Study Text** comprises the main learning materials and gives guidance as to the importance of topics and where other related resources can be found.

Each chapter includes:

- The **learning objectives** contained in each chapter, which have been carefully mapped to the examining body's own syllabus learning objectives or outcomes. You should use these to check you have a clear understanding of all the topics on which you might be assessed in the examination.
- The **chapter diagram** provides a visual reference for the content in the chapter, giving an overview of the topics and how they link together.
- The **content** for each topic area commences with a brief explanation or definition to put the topic into context before covering the topic in detail. You should follow your studying of the content with a review of the illustration/s. These are worked examples which will help you to understand better how to apply the content for the topic.
- **Test your understanding** sections provide an opportunity to assess your understanding of the key topics by applying what you have learned to short questions. Answers can be found at the back of each chapter.
- **Summary diagrams** complete each chapter to show the important links between topics and the overall content of the syllabus. These diagrams should be used to check that you have covered and understood the core topics before moving on.

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Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

Icon Explanations



Definition – Key definitions that you will need to learn from the core content.



Supplementary reading – These sections will help to provide a deeper understanding of core areas. The supplementary reading is **NOT** optional reading. It is vital to provide you with the breadth of knowledge you will need to address the wide range of topics within your syllabus that could feature in an exam question. **Reference to this text is vital when self studying**



Test your understanding – Exercises for you to complete to ensure that you have understood the topics just learned.

Some of the test your understandings in this material are shorter or more straightforward than questions in the Advanced Performance Management (APM) exam. They are contained in the material for learning purposes and will help you to build your knowledge and confidence so that you are ready to tackle past exam questions during the revision phase.



Illustration – Worked examples help you understand the core content better.

On-line subscribers

Our on-line resources are designed to increase the flexibility of your learning materials and provide you with immediate feedback on how your studies are progressing.

If you are subscribed to our on-line resources you will find:

- 1 On-line reference ware: reproduces your Study Text on-line, giving you anytime, anywhere access.
- 2 On-line testing: provides you with additional on-line objective testing so you can practice what you have learned further.
- 3 On-line performance management: immediate access to your on-line testing results. Review your performance by key topics and chart your achievement through the course relative to your peer group.

Introduction to performance management

Chapter learning objectives

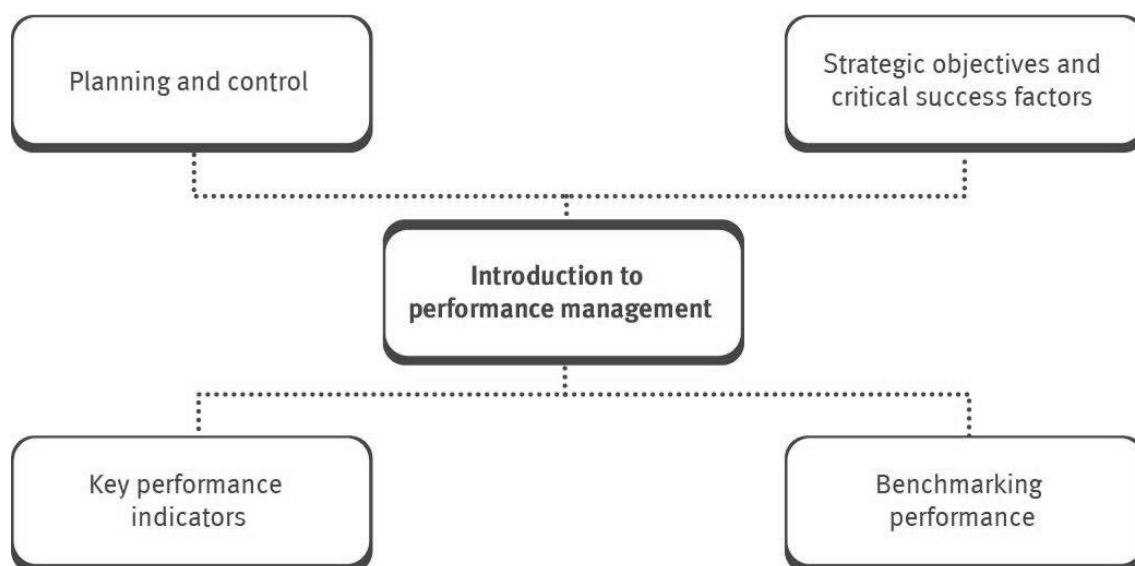
Upon completion of this chapter you will be able to:

- explain the role of strategic performance management in strategic planning and control
- discuss the role of performance measurement in checking progress towards the corporate objectives
- compare planning and control between the strategic and operational levels within a business entity
- discuss the scope for potential conflict between strategic business plans and short-term localised decisions
- apply and evaluate the methods of benchmarking performance
- discuss how the purpose, structure and content of a mission statement impacts on performance measurement and management
- discuss how strategic objectives are cascaded down the organisation via the formulation of subsidiary performance objectives
- apply critical success factor analysis in developing performance metrics from business objectives
- identify and discuss the characteristics of operational performance

- discuss the relative significance of planning activities as against controlling activities at different levels in the performance hierarchy
- assess the statement 'What gets measured, gets done' in the context of performance management.



One of the PER performance objectives (PO1) is to take into account all relevant information and use professional judgement, your personal values and scepticism to evaluate data and make decisions. You should identify right from wrong and escalate anything of concern. You also need to make sure that your skills, knowledge and behaviour are up-to-date and allow you to be effective in your role. Another PER performance objectives (PO5) is to manage yourself and your resources effectively and responsibly. You contribute to the leadership and management of your organisation – delivering what's needed by stakeholders and the business. PER performance objective (PO22) is data analysis and decision support, which involves enabling relevant stakeholders to make decisions. Working through this chapter should help you understand how to demonstrate these objectives.



1 Introduction to Advanced Performance Management (APM)

APM will require you to assess different approaches to performance management from a variety of perspectives. This will require you to know what the approaches are and, more importantly, you should be able to compare one with another.

It will focus on the use of strategic management accounting techniques in different organisational contexts to contribute to the planning, control and evaluation of the performance of an organisation and its strategic and operational development.

The technical syllabus content (syllabus sections A to D) is covered in Chapters 1–14. Success in APM will require a good understanding and application of these syllabus areas. However, this must be underpinned by the demonstration of a range of professional skills (syllabus section E) and employability and technology skills (syllabus section F). These two syllabus sections are covered in Chapters 15 and 16 respectively. It is important that the final two chapters are used in partnership with your technical learning and they should be read and referred to as you work through the technical content.


2 Common knowledge

APM builds on knowledge gained in Performance Management (PM). It also includes knowledge contained in the Strategic Business Leader (SBL) exam but this is not a problem if you are yet to study for this exam and there is no expectation that you have any SBL knowledge in place.

PM tested your knowledge and application of core management accounting techniques. APM develops key aspects introduced at the PM level with a greater focus on linking the syllabus topics together and evaluation of the key topics and techniques. Therefore, you should not expect to be retested in a PM style but need to be aware that all PM knowledge is assumed to be known.

4 Introduction to performance management

4.1 Performance management

 **Performance management** is any activity that is designed to improve the organisation's performance and ensure that its goals are met.

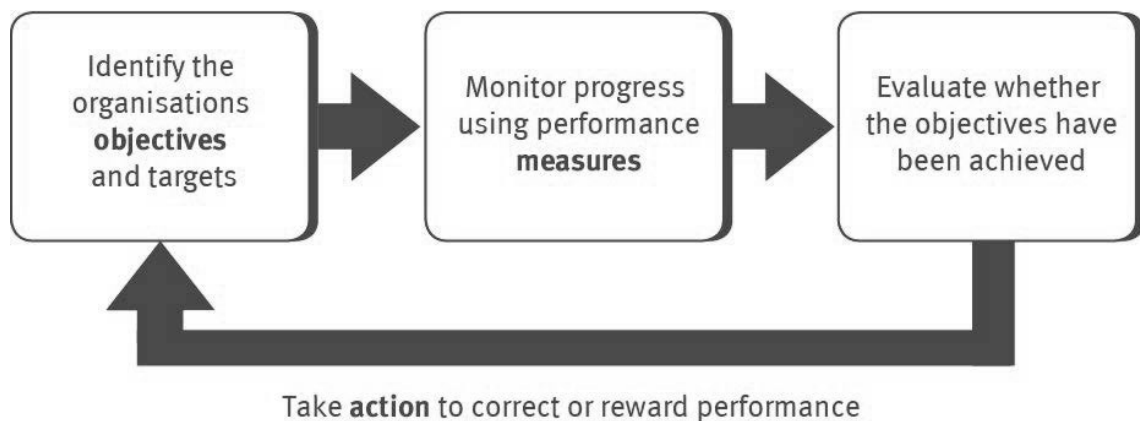
The first stage of this process is to identify the organisation's **objectives, goals** and **targets** so that we know how the organisation would like to perform.

Next we need to identify appropriate **performance measures** and put in place **systems** to effectively capture the information required to **report** performance measured to the organisation's management.

The managers must then **evaluate** the performance measures to determine whether targets have been met and whether the organisations objectives are being achieved.

If the objectives have not been met then **corrective** action should be taken. Alternatively if the objectives have been met then the management may wish to consider **rewarding** staff to encourage them to continue this behaviour in the future.

The performance management process



Each of the stages of this cycle are reflected in Sections A-D of the syllabus:

- A** Use **strategic planning and control models** to plan and monitor organisational performance
- B** Identify and evaluate the **design features of effective performance management information and monitoring systems** and recognise the impact of developments in technology on performance measurement and management systems
- C** Apply appropriate strategic **performance measurement techniques** in evaluating and improving organisational performance
- D** Advise clients and senior management on **strategic business performance evaluation**.



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