APM Models

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SWOT Analysis

SWOT provides a structured way to assess internal and external performance factors. Strengths represent internal advantages such as strong brand, skilled employees, or efficient processes. Weaknesses capture internal limitations including outdated systems, slow processes, or financial constraints.

Opportunities arise from favourable external developments like technological breakthroughs, new markets, or regulatory benefits. Threats represent external risks including competition, supply chain instability, or economic volatility.

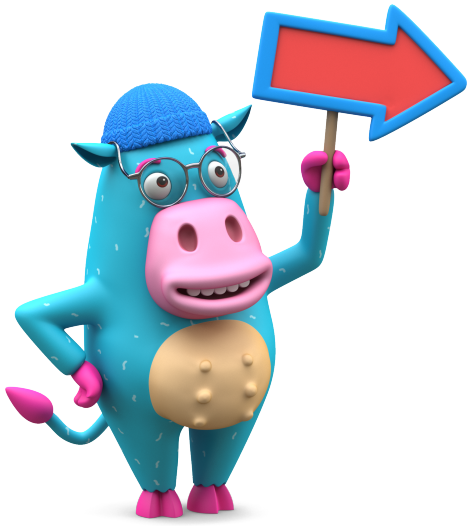
In APM, SWOT is vital when evaluating whether KPIs reflect strategic reality, diagnosing divisional underperformance, or recommending improved performance measures across the business.

PESTEL

PESTEL examines macro factors shaping long-term organisational performance. Political factors include tax policy, trade rules, and government stability. Economic factors involve inflation, exchange rates, disposable income, and market cycles.

Social factors examine demographics, lifestyle changes, education and cultural trends. Technological factors include innovation, automation, disruption and digital capability. Environmental considerations include sustainability pressures, climate risk, resource use and ecological requirements. Legal forces cover compliance obligations, employment rules and sector regulations.

In APM, PESTEL helps justify KPI changes, contextualise performance issues, and support strategic recommendations under external pressures.

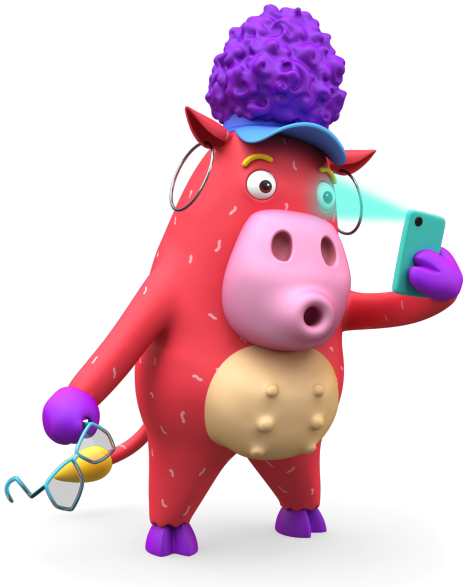


Porter’s Five Forces

Porter’s model analyses competitive pressure. Rivalry reflects how intensely firms compete through pricing, innovation, advertising or differentiation. Supplier power measures how much suppliers can influence price and quality. Buyer power shows the extent customers can demand lower prices or higher quality.

Threat of new entrants depends on entry barriers such as capital needs, brand strength or regulation. Threat of substitutes captures alternative ways customers can satisfy needs via different products or technologies.

APM uses this model to explain margin pressure, unstable demand or cost increases, supporting KPI selection and strategic recommendations.



BCG Matrix

The BCG Matrix categorises business units by market growth and relative market share. Stars (high share, high growth) need investment to grow and defend position. Cash Cows (high share, low growth) generate stable cash to fund others. Question Marks (low share, high growth) require careful evaluation – invest or divest. Dogs (low share, low growth) often warrant repositioning or exit.

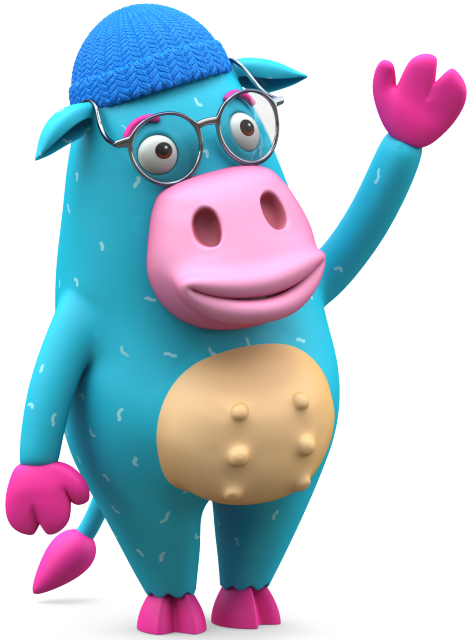
In APM, this model supports resource allocation recommendations, explains performance inconsistencies, and guides divisional decision-making.

Balanced Scorecard

The Balanced Scorecard offers four perspectives for holistic performance. The Financial perspective measures profit, ROI, shareholder value and cash flow. The Customer perspective evaluates satisfaction, loyalty, service quality and brand strength.

The Internal Processes perspective measures process speed, efficiency, innovation and quality. The Learning & Growth perspective evaluates employee skills, culture, technology and long-term capability.

APM heavily tests BSC alignment – candidates assess whether KPIs reflect strategy, avoid short-termism, and support long-term value.



Building Block Model

The Building Block Model is ideal for service organisations. Dimensions define what to measure: quality, flexibility, resource utilisation, innovation, competitiveness and financial results. Standards define the level of performance expected – they must be fair, achievable and controllable.

Rewards systems support motivation – well-designed incentives drive good behaviour, while poor incentives cause dysfunction.

APM often tests this model when service divisions underperform due to poor target design or misaligned rewards.

Performance Pyramid

The Performance Pyramid links strategy to operations. At the top is vision. Below it are market and financial objectives. At the operational level, measures such as quality, cycle time, delivery reliability and waste connect everyday activity to strategic goals.

APM uses this model where organisations lack KPI alignment, causing strategy to fail at divisional or operational levels.

Kaizen

Kaizen emphasises continuous improvement through small adjustments rather than dramatic changes. It empowers staff to spot inefficiencies and make local improvements, creating cumulative gains in quality, cost and speed.

Kaizen requires supportive leadership, visible KPIs and a culture of experimentation.

In APM, Kaizen is useful where performance suffers due to waste, rigid processes or poor engagement.

TQM

Total Quality Management focuses on customer satisfaction, defect prevention and continuous improvement. Everyone contributes to quality management through improved processes and cultural commitment.

TQM encourages prevention rather than detection of defects and supports long-term competitiveness.

In APM, TQM is recommended when customer complaints rise, defects increase or service quality falls.

Six Sigma

Six Sigma improves quality by reducing defects and variation. The DMAIC cycle (Define, Measure, Analyse, Improve, Control) provides structure for data-driven problem solving.

Six Sigma requires strong information systems, analytical capability and trained specialists.

APM uses Six Sigma when performance suffers due to inconsistent processes or unreliable data.

JIT

Just-in-Time reduces inventory, eliminates waste and improves flow by receiving materials only when needed. JIT helps reduce storage costs, obsolescence and bottlenecks.

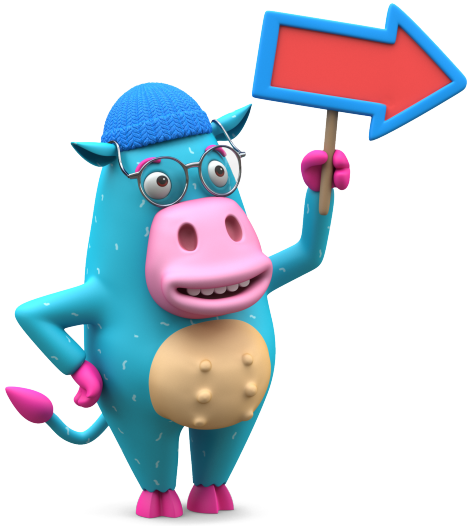
However, JIT increases reliance on suppliers and exposes the organisation to supply chain risks.

In APM, JIT often affects both operational and financial KPIs, influencing working capital, delivery reliability and risk.

Activity-Based Management

ABM uses activity-based costing information to identify value-adding and non-value-adding activities. It highlights process improvements, supports pricing decisions, and aids resource allocation.

APM uses ABM when businesses misallocate costs or misunderstand cost drivers, leading to poor pricing or low profitability.



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Value-Based Management

Value-Based Management ensures decisions focus on long-term value creation, often using EVA (Economic Value Added). VBM aligns management incentives and KPIs with sustainable performance rather than short-term profits.

APM tests this when organisations suffer from short-termism or poor investment decisions.

ROI / RI / EVA

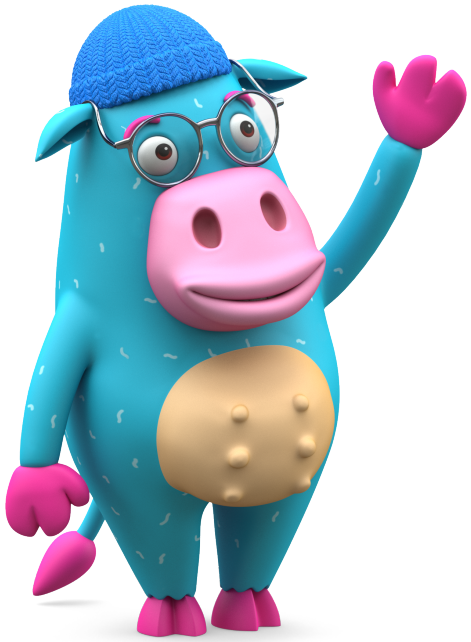
ROI is simple but flawed – it discourages managers from accepting beneficial projects that lower their personal ROI. RI improves behaviour by including a capital charge. EVA provides an economic measure by adjusting profit and capital for more realistic valuation.

APM regularly tests candidates on behavioural implications and performance evaluation differences.

Transfer Pricing Models

Transfer pricing allocates revenue between divisions. Market-based pricing reflects external reality but may be unsuitable when markets are imperfect. Cost-based pricing (marginal, full or cost-plus) depends on accurate costing systems. Negotiated pricing can support autonomy but may cause conflict.

APM commonly tests transfer pricing failures, fairness, and goal congruence.



Public Sector Models

Public sector performance focuses on the 3Es: Economy (minimising cost), Efficiency (maximising output), and Effectiveness (achieving outcomes). Measurement is complex due to intangible outputs.

Benchmarking helps compare service quality and improve accountability.

APM applies these models to not-for-profit and government scenarios.

Behavioural Models

Hopwood’s styles classify managerial behaviour. The budget-constrained style encourages pressure and possible manipulation. The profit-conscious style balances financial and non-financial factors. The non-accounting style downplays performance metrics.

Goal congruence ensures managers’ incentives align with organisational goals. Poorly designed KPIs cause dysfunctional behaviour.

Behavioural insights appear in almost every APM question.