BUSINESS AND MANAGEMENT

Paper 9771/01
Business Concepts

Key Messages

The following advice is given to Centres preparing candidates for Paper 1.

- Instruct candidates to answer all of the multiple choice questions in **Section 1**. Make clear that if they do not know the answer then they should always make a 'best guess'.
- Candidates should revise all topics because questions may be asked on any aspect of the specification.
- In **Section 2** it is essential that candidates apply their knowledge to the case study context.
- Candidates should read the question very carefully. They should determine what are the key words/phrases and what is the exact focus of the question, before proceeding to write their answer.
- Candidates give real world business examples in **Section 3** – but candidates must relate their examples to the specific question asked.

General Comments

There was a very wide range of total marks on this paper – from 28 to 82 (maximum 100). There was some evidence that Centres are continuing to prepare candidates more effectively for multiple choice questions and encouraging them to use a wide range of business examples in their answers to the essay questions in **Section 3**. There were very few candidates who were not able to score marks on nearly every question in **Section 2**, particularly in terms of knowledge and application marks. This paper proved to be a very good test of candidates' abilities in handling numerate data, applying important Business and Management concepts to a particular business scenario and writing a detailed and well supported essay.

Section 1: Multiple Choice

Marks ranged from 4 to 18. The overall mean result was 11.9 and the mean Centre result varied from 9 to 13.2. The most accessible questions were 5, 7, 11, 13, 17 and 19. These included some numerically based questions and it is encouraging to report that candidates were able to handle very effectively some of the quantitative techniques being assessed. The questions with the lowest success rates were 4, 8, 9, 12 and 14. The normal distribution curve (question 8) often proves to be a problem for candidates but the more surprising difficulties involved knowledge of external economies of scale (question 12) and McClelland's theory (question 14). Centres are advised that **Section 1** will examine, over a number of sessions, all topic areas of the specification.

The new Insert for the recording of answers proved to be straightforward for candidates to use. Perhaps the most surprising feature of some of the scripts for this section was that 5 candidates left gaps in their answers and 1 candidate left a total of 6 gaps. This is not good examination technique and Centres should remind candidates that no marks are deducted for incorrect answers and a 'best guess' is always preferable to no answer at all.

Section 2: Case Study

Question 21

(a) (i) Most candidates correctly calculated the payback period.

(ii) Although there were many correct answers to this NPV question some candidates were unable to even make a start on multiplying the net cash flows by the discount factors. The most common error made by those who did undertake these multiplications was failure to subtract the capital cost of the project.

(b)   The 'own figure rule' applied to the answers to this question. Responses varied widely. A few candidates clearly understood the significance of the results and were able to evaluate them in the context of the train operating company. Some answers were general statements about payback and NPV with no attempt to relate the answer to the context of the case study. Some candidates did not understand what an NPV result measures or how it can be used to assess the suitability of an investment project.

Question 22

A considerable number of candidates had real problems defining or explaining 'workforce planning'. In nearly all answers there was sufficient implied knowledge – of training, numbers, skills, for example – for candidates then to proceed to gain additional marks for the Assessment Objectives of application, analysis and evaluation. There was frequent and effective use made of relevant sections of the case study material. Perhaps this case study proved to be more accessible than last year's or possibly Centres are driving home more effectively to candidates the importance of writing in context, but there were very few answers to any of the *Section 2* questions that did not make some attempts to refer to the business in the case.

The best answers to this question concluded that workforce planning was likely to be very significant to the success of this project but that other factors were likely to be just as crucial such as effective promotion.

Question 23

Most answers to this question launched into an explanation of the differences between 'above the line' and 'below the line' promotion – and some of these explanations lacked real accuracy. Perhaps a more effective way to begin answering a question such as this is to consider the key features of a <u>strategy</u> for promotion – such as 'objectives' and 'budget'. If these had been considered in context then the recommendations made by candidates could have been more effectively evaluated against these parameters. It was acceptable for candidates to explain two or three promotional techniques and then discuss these in relation to a Train Operating Company's new investment project but such answers lacked any real cohesion or strategic structure unless the issues of likely budget levels and realistic objectives were also considered. Some of the best answers concluded with an important judgement that the promotional strategy should be coordinated with all other important marketing decisions too – such as ticket pricing for the revamped line.

Question 24

There were some significant clues in the case study regarding the potential changes in Government policy towards the Train Operating Companies – and these could have been supplemented by candidates suggesting others, perhaps of a more macroeconomic nature, such as monetary policy and fiscal policy changes. There were some very effective answers that considered the impact on potential competition and future investment decisions of any policy to extend the operating franchises. Both the possible positive and negative impacts of this proposal were analysed by some candidates. Similarly, changes to Government subsidies were also assessed effectively by some candidates with a number of them making evaluative points such as the impact of ending these depends largely on the scale of the existing financial support to the operating companies.

Relatively few candidates considered other Government policy changes, but those that did analysed the possible impact of tax and interest rate changes. (Examiners allowed for the latter even though this is really a Bank of England decision.) It was not essential for candidates to consider these wider policy changes to have access to the full range of marks, however.

Section 3: Essay

Question 25

The relatively few candidates who answered this question often failed to identify the key word in the title – 'social'. Several answers attempted to assess the impact of changes on business and the importance of businesses keeping abreast of these without indentifying the key likely causes of social change. This is a specification topic of which quite a few candidates seemed to be unaware. However, the examples of social change given in the specification are by no means exhaustive. Examiners were able to see the link between changes in technology leading to new forms of social interaction (as with Facebook) and changes in society's views towards corporate social responsibility and ethical issues as examples of social change worthy of reward in answers to this question. Surprisingly, however, no answers considered the potential impact on brands and brand identity of ageing population structure or increasing immigration and cultural diversity.

A few candidates were able to effectively evaluate the point of the question – but others tended to just agree with the statement in a rather uncritical way. To suggest, for instance, that some global brands may be so strong and well recognised that social changes may have little impact on future success is a worthy line of judgement, especially when supported with examples drawn from the candidate's own research. The point is not whether such a viewpoint is 'right' or 'wrong' – it is clearly debatable – but that this is a valid counter line of reasoning to the original statement and this marks out an answer as being from a candidate who understands the real nature of evaluation.

Question 26

The key issue being examined here was not 'globalisation' but 'competitive advantage'. It was pleasing to see that several candidates had a very good grasp of this concept and were able to explain it using the accepted theories on the subject. What was less effectively undertaken was the <u>application</u> of the candidate's business examples to the thrust of the question. So, for instance, there were many examples of off-shoring and market development abroad yet these were not analysed in terms of the importance of gaining competitive advantage. Many of the business examples used were very descriptively treated. There is no doubt that Centres have effectively encouraged candidates to insert more business examples into their essay responses. The next stage is to ensure that these examples are not just there for effect but are used to illustrate analytical points relevant to the question. For example, using overseas call centres is a policy used by some banks and insurance companies to gain 'cost leadership' in their industry. This might then allow them to offer better value to their customers in terms of product pricing. This strategy could be contrasted with other similar companies adopting the 'differentiation' model of using UK based call centres as a selling point to illustrate how the service they offer is superior to that of rival businesses.

Question 27

This was the most popular essay question by far and some candidates managed to link effectively the many examples they gave of 'lack of employee involvement', 'poor communication' and 'unwillingness to accept new culture' to the issue of managing change and overcoming barriers to change. Some of the business examples used were not linked to 'businesses undergoing significant change'. For example, the case of John Lewis being a business that encourages employee involvement was frequently quoted, but how does this assist the organisation in dealing with 'significant change'? Perhaps candidates would have done better by beginning their examples with instances of business change – not with examples of lack of employee involvement and poor communication.

Some candidates made good attempts to use forms of business analysis and relevant theories to support their answers such as Kotter's change model and these responses tended to have more focus and structure than those that concentrated just on the barriers to change referred to in the question.
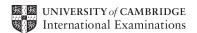
Question 28

This question was not very popular. Several candidates considered the use of lean production and kaizen in reducing waste in businesses and supported their analysis with some relevant examples. The importance of reducing waste was less effectively dealt with – and the 'waste of time' issue raised by the quote was not discussed at all.

No candidates crossed out initial answers and then embarked on an answer to one of the other four questions. Additionally, there was no substantial evidence of candidates not managing time effectively throughout this paper – with the possible exception that the gaps in **Section 1** might have been filled if some candidates had found time to go back to these questions.
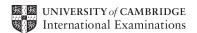
Overall

Final advice to Centres for preparing candidates for Paper 1:

● give extensive practice at all quantitative techniques
● encourage very wide reading around current economic and business issues – focusing on how they impact differently on different types of businesses
● encourage candidates to write extended essay answers frequently and encourage the use of paragraphs to allow for clear separation of points

- further encourage the use of business examples in the essay answer – but advise candidates to make sure that these are used analytically and are focused on illustrating and developing the main thrust of the answer to the question
- learn definitions of the many key terms within the specification
- focus strategic decisions on the objectives of the business under consideration.

BUSINESS AND MANAGEMENT

> **Paper 9771/02**
>
> **Strategic Decisions**

Key messages

The following list of suggestions could help candidates improve.

- Candidates must have a precise knowledge of how to do the required calculations and the ability to interpret the results.
- They should have a clear knowledge of the mark allocation rubric within each question, including **Question 1(c).**
- The ability to offer concise definitions of core subject concepts such as a marketing plan or interest rates. This is often a good opening paragraph.
- The ability to use contextual data to support answers. Some of the best candidates have the ability to manipulate the case data to show clear numerical trends or analysis of the accounts.
- Evaluation should be present throughout the 25-mark questions and not just at the end of the answer.
- Candidates need to use relevant business theories and concepts in their answers. This point is very important to achieve top analysis marks. Examples that would have helped in this paper include the Ansoff Matrix and elasticity.
- Answers should be planned, concise and legible.
- *Section 2* answers do not need to go beyond approximately 3 sides.
- The longer questions seem to be written more coherently when a plan is visible at the start of the answer.

General Comments

The paper was accessible to all but was also able to differentiate. Candidates seemed to have plenty of time (a deliberate characteristic of the Business and Management examinations) to analyse the case and write answers.

This third examination of Strategic Decisions has a clearly established style that is generally set to continue for the next few years. Small changes may be made such as having three calculations worth two marks each. Many candidates seem to be able to deal with the quantitative demands of the paper with greater prowess. The best candidates are comfortable with the numerical questions, can grasp what the answers mean for the business, consider the mark allocations for each assessment objective, write in a concise style and skilfully combine the four assessment objectives.

Comments on specific questions

Section 1

Question 1

(a) This question was generally well answered. A majority of candidates gained full marks. It is best practice for candidates to write the formula and show all working. This year the examining team did not deduct marks if the candidate did not use a percentage sign, but this may change in future sittings so candidates should be encouraged to put the % sign when a percentage is calculated.

(b) Most candidates gained full marks for this calculation. It is clear that some candidates struggle with numerical techniques and gained no marks for either calculation.

(c) This question was generally poorly answered. Indeed some candidates made no attempt to answer this question. This 6-mark question had a mark allocation of 2 marks for knowledge and 4 marks for application. Many candidates gained less than half marks. If candidates incorrectly calculated the answers to **Question 1(a)** and **1(b)** then this was not penalised for a second time and the Own Figure Rule (OFR) was applied by the Examiners. The best answers showed clear knowledge of both profit ratios and then applied them to the case, in terms of how they might assist Redrow's directors. The best candidates realised that the key difference between the ratio results was the control of overheads. A relatively straightforward way of gaining marks for application was to compare profit margin results with those for the previous year given in the case.

(d) This question performed an important differentiation role. It is clear that many candidates only see a marketing plan as the 4 P's. A marketing plan also considers other aspects such as the marketing objectives, budget, audit and then a strategy. The second element of this question required a link between the marketing plan and profit margins. This was absent in many answers and candidates need to be fully aware of the importance of margin in business. Candidates also need to be adept at using core business concepts in an answer. Elasticity (in its various forms) is one such example relevant to this answer. It will be a feature of Pre-U Business and Management examinations to combine functional areas in questions.

Section 2

Question 2

This question performed a crucial differentiation role. Some candidates clearly struggled with the topic of interest rates. Economic influences are a core element of the specification. The best answers considered the parameters of the interest rate change, considered the external impact of the change and an internal analysis. It was pleasing to see some candidates engaging with the case data. Examples of data that could have been drawn from the case include the financing costs, gearing, net debt and interest cover.

Question 3

This question produced a variety of responses. Many candidates gave a balanced view as to what strategy the Board of Directors should pursue. The best answers used case data, analysis and evaluation to support their reasoning. Some answers displayed a naivety with regard to feasible responses. On balance, a majority of the candidates realised that Redrow was not unique in its poor returns to shareholders (within the building sector) and realised that prudent action in the short term could secure greater returns for shareholders in the long run.

Question 4

This question was probably the most accessible on the paper. It was pleasing to see a number of candidates using relevant theory such as the Ansoff Matrix to provide a framework for the answer. Answers which lacked any use of business concepts or strategic frameworks were often poor and lacking in real subject-oriented substance. A majority of candidates made a clear recommendation but the quality of supporting evidence was variable.

BUSINESS AND MANAGEMENT

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Paper 9771/03

Personal Investigation

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Key Messages

- To score full marks in **Knowledge**, the business problem must be outlined in detail, including who is affected and the implications of failure to solve the problem for the business and its stakeholders.
- To score full marks in **Methodology**, research methods should be outlined and there must be evidence of the research and its use. Critique of actual research undertaken should also be included.
- To score high level marks in **Analysis and use of Business Studies Theory**, <u>relevant</u> business theory concepts should be used accurately. Analysis should use both written and numerical techniques, with any figures fully supported. Analysis should be focused directly on the business problem and proposed solutions.
- To score high level marks in **Conclusions and Evaluation**, realistic conclusions and recommendations should be offered, with a separate section evaluating the investigation and the strengths and weaknesses of solutions. Wider issues should also be considered; for instance, external factors affecting the business's future success.
- **Communication** is very important and candidates should submit a fully ICT based report, which includes different sections as outlined above, as well as a detailed bibliography. It should be noted that the marks for Communication also depend directly on the quality of the sections and the way that the report fits together as a whole.

General Comments

This session produced, once again, a very varied selection of titles and reports. The best investigations focused on a clearly identified problem, rather than just a suggested possible investment by a business. The better candidates had also clearly studied the marking criteria and therefore included a detailed bibliography, critique of research methods and overall evaluation of the investigation and solutions offered. In a small number of cases, reports were largely descriptive, lacking focus and sometimes not actually addressing a business problem. Reports that attempted to address a very wide range of syllabus areas also tended to lack depth. The word limit was generally adhered to and helped to keep most reports focused and concise. There was little evidence to suggest that candidates felt constrained by the 3500 word limit and many included substantial information, including financial analysis, in the appendix.

The best candidates:

- had taken account of feedback when the original title was submitted
- had a clear, logical structure to their investigation/approach
- had a question as a title, which was clearly answered in the conclusion
- set clear objectives, in terms of what needed to be investigated
- used a wide selection of primary and secondary sources, including some critique of actual methods used
- had access to and used detailed information from the business concerned
- used a wide range of Business Studies theory in context
- included detailed financial analysis, with figures clearly drawn from research
- evaluated the strengths and weaknesses of methods and solutions
- included footnote references and a comprehensive bibliography
- made good use of appendices, staying within the prescribed limit.

Comments on specific skills

- Title Submissions and Appropriateness

Most candidates chose appropriate businesses, submitted titles in time and made some use of the Examiner's feedback – this made the submission in advance a useful exercise. In a few cases, though, titles were not submitted, or comments and advice were not taken into account. In a number of other cases the 'problem' did not really seem to exist in the views of business owners or the investigation clearly had a 'foregone' conclusion, for instance the replacement of outdated or inefficient machinery. It is very important to have a title which is fine enough in focus, but offers enough scope for substantial, supported financial analysis..

- Knowledge – The Problem in Context

This should always be the starting point and a 'realistic' problem was a feature of all the better investigations. Most candidates identified the business problem or issue clearly, and many also outlined who was affected and the implications of not solving the problem. This helped to 'set the scene' in many reports.

- Methodology – Research Methods

Most candidates attempted to use primary and secondary sources and certainly talked about these, but many failed to include a critique of their own research methods and sources. A clearly set out range of research objectives helped here and good use was made of company accounts where available. Wider secondary research was often limited and some candidates missed the opportunity to use national statistics and news or other reports, which would have been directly relevant to their investigation. Better candidates attempted to widen the scope of their research beyond the identified business and it was encouraging, albeit in a small number of cases, to see use of relevant magazine and Internet articles.

- Analysis and use of Business Studies Theory

Most candidates made good use of their knowledge of business theory and applied this appropriately to their investigation, although in some cases the use of business theory across different areas of the syllabus detracted from the focus of the report. In a few cases, candidates missed out on marks by making incorrect or inappropriate use of theoretical concepts. In a very few cases business concepts were outlined in theory, but not used, thus 'using up' words without gaining any benefit.

'Fine focus' was the key to higher level marks here; for instance, applying investment appraisal techniques and concepts such as break-even to one or two possible business solutions. The best investigations included a financial or numerical analysis of the problem or issue and projections for suggested solutions. It was pleasing to see full support for figures in some cases and accounts of 'assumptions' made to arrive at results. However, a common reason for lower level marks in this section was unsupported figures used in analysis and also inappropriate use of numerical methods. Due to the complexity of some of the numerical analysis, it makes sense to include some of the calculations in appendices. Certainly, accounts which contain figures used should be included as they support the analysis.

In a very few cases, candidates had not managed to access any financial information or figures, or just quoted figures without making use of analytical techniques. This limited the number of marks that could be awarded for analysis. It is recommended that candidates make sure that figures are available before deciding on an investigation. These will probably include financial accounts and projections, but may also include Human Resource related statistics such as staff turnover or absenteeism.

- Conclusions and Evaluation

Most candidates drew some supported conclusions and recommendations from their investigations, but the standard of evaluation was mixed. It was pleasing to see conclusions drawn directly from research even if, as was sometimes the case, these ran contrary to the original proposition. The best candidates separated the investigation's conclusions from their recommendations and produced realistic, well thought through ideas to take the business forward. In a few cases, where the conclusions were brief and no recommendations were offered, candidates failed to score highly. Likewise, a few candidates offered no evaluation either of the investigation or the solutions they put forward and missed out on significant marks. In the best reports, solutions and recommendations were realistic and great critical evaluation was applied to research and analysis methods and proposed solutions.

- Communication

For the PI this assessment objective has the most weight, with 40 marks available. Most candidates scored relatively well, in some cases increasing their marks significantly. In the syllabus there is a detailed 'grid' with requirements in each level as well as the overall criteria statements. It was encouraging to see evidence that some candidates had studied this information carefully. However, a few seem to have largely ignored it and missed out on marks needlessly. An example of this was the very small number of investigations which completely omitted the bibliography section, which is clearly outlined as essential in the criteria. All reports were ICT based though and generally the standard of presentation was high, including tables and graphs. The best reports had a logical structure and focused clearly on the objectives of the investigation, ending with realistic conclusions and recommendations.

- Appendices

In most cases candidates adhered to the 6 page limit and in some cases this section was used very effectively to include accounts, calculations, survey results and so forth. In the better investigations the appendices were referenced within the report, often using footnotes.

Examiner's Tips for Teachers and Candidates

- Before you start, read the marking criteria carefully and return to this often, as your investigation progresses.
- Take care with your choice of business and title – make good use of the submissions and approval process.
- Make sure that you can clearly identify a business problem.
- Set clear objectives and return to them in your conclusions.
- Make sure that you use a good range of primary and secondary research sources including those outside the business, such as national statistics.
- Start by analysing financial or numerate information, this will help you establish the way forward for your investigation.
- Ensure that you understand and can apply theory concepts before including them in your analysis, especially numerate techniques such as Investment Appraisal.
- Focus your results and analysis on the part of the business you are investigating.
- Aim to draw a range of possible conclusions or solutions to the business problem and discuss strengths and weaknesses of each.
- Make sure that you include your recommendations and critical evaluation in a separate section.
- Make good use of appendices to supplement the report, especially where you can support the figures used in numerical analysis.
- Include a fully referenced bibliography.