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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/43**

Paper 4 Business Strategy **October/November 2023**

MARK SCHEME

Maximum Mark: Please Specify

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Subject Specific Marking Principles for point-based marking

2 Using point-based marking:

Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion. From this it follows that we:

- DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning, unless the mark scheme requires a specific term.
- DO credit alternative answers/examples which are not in the mark scheme if they are correct.
- DO credit answers where candidates give more than one correct answer where extended writing is required rather than short/list-type answers.
- DO NOT credit answers simply for using a key term unless that is all that is required. (Check for evidence it is clearly understood and used correctly.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities. For questions that require *n* reasons, e.g. State two reasons…, mark only the first two answers given, not any two that are correct out of a longer list.
- DO NOT give further credit for what is effectively repetition of a correct point already credited or to 'mirror' statements. For example, a response that includes: 'A business owner would benefit from limited liability as it would protect their personal possessions.' and 'If a business owner did not have limited liability they could lose everything.', cannot both be rewarded in answer to one question.
- DO NOT require spellings to be correct, it is <u>not</u> part of the test. However, spellings of business terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused, e.g. offshore/outsource or effective/efficient.

5 Presentation of mark scheme:

- Questions are in bold text.
- Possible responses are in normal text in a bulleted list.
- Marks are rewarded based on the table provided for each question.
- Possible responses are listed under the appropriate Assessment Objective.
- Slashes (/) separate alternative ways of making the same point.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark.

6 Annotation:

- Every response must have a minimum of one annotation.
- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers.
- For questions where only AO1 and AO2 are rewarded, there is a direct relationship between ticks and marks.
- For levels of response marking, the first time level 1 is achieved, L1 is annotated on the response. If/when level 2 is achieved, L2 should be used, etc.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who mark that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Evaluate the extent to which RT's operations strategy has supported the success of the business from 2015 to 2023.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
3 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
8 marks</th><th>AO4 Evaluation
7 marks</th></tr>
<tr><td>3</td><td></td><td></td><td>7–8 marks
Developed analysis of the overall strategy that identifies connections between causes, impacts and/or consequences.</td><td>6–7 marks
Effective evaluation
A developed judgement/conclusion is made in the business context that draws together developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2–3 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>4–6 marks
Developed analysis of individual strategic element(s) that identifies connections between causes, impacts and/or consequences.</td><td>3–5 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1–3 marks
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>20</td></tr>
</table>

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Question	Answer	Marks
1	**Indicative content:** **AO1 Knowledge and understanding** **No other AO2, AO3 or AO4 marks can be awarded without AO1.** Knowledge K (max 3 marks) can be awarded for any relevant business knowledge about Operations Strategy: • Capital intensive and labour intensive operations. • Operations methods: job, batch, flow, mass customisation. • Buffer inventory – holding inventory just in case. • Supply Chain Management – the takeover allowed control of the supply chain. • Lean production – aims to cut down waste during production, including inventory holding costs. • Lean production methods – Kaizen, quality circles, simultaneous engineering, cell production, JIT manufacturing and waste management. • JIT – components and other supplies arrive just as they are needed on the production line. • Kaizen – continuous improvement. • Capacity utilisation and outsourcing. • Information Technology (IT) and Artificial Intelligence (AI). • Process innovation: changing current processes or adopting new ways of producing products or delivering services. • Enterprise Resource Planning (ERP) integrates orders, materials, labour and distribution to minimise cost, reduce inventory levels and waste. • Critical Path Analysis (CPA) ensures all activities are taken in correct sequential order to meet deadlines and speed up project. • Economies of scale – when output increases average costs fall. **AO2 Application** Application APP (max 2 marks) can be awarded for **applying knowledge of operations strategy,** to RT between 2015 and 2023: • Between 2015–18 lean production techniques used to increase productivity and efficiency. • 2019 purchase of farms secured supply chain for the business making it one of the top five producers in the country. • 2021 purchase of new factory sees increase in capacity by 66%. • Also increase in capital intensive production with more technically advanced cotton processing machinery purchased. • RT uses CPA to help plan the purchase and machinery upgrade.	

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Question	Answer	Marks
1	• 2022 purchase further increases scale of the business. • External growth through backwards vertical integration in 2019. • Supply interruptions from late deliveries of cotton. • $1.5 m spent on machines through share issue. • RT can supply its own factories with cotton. • Organic growth in 2021. • External growth through a takeover in 2022. • Increasing Profit margin. **AO3 Analysis** Analysis of the impact of the operation strategy on a business (A1 and A2 and A3) including: • Lean production techniques may have had the desired impact as reports of efficiency and productivity have suggested improvements, but could there be other factors at play – training of staff, better suppliers? • Lean production puts a lot of pressure on staff to identify and make improvements which could lower morale and thus retention rates if they felt under pressure. • Profit margins have increased, and this could have enabled them to retain profits for the purchase of the cotton farms in 2019. • The purchase of the farms is a form of diversification – they do not currently run farms and therefore there could be issues with understanding how to efficiently run the farm and integrate in RT business model. • The increase in scale and capacity by 66% may not be needed if they do not have the customers to buy the fabrics they produce. • Critical Path Analysis would have helped identify critical tasks to ensure the new factory and machinery were ready on time so as to not cost more than it needed to. • RT is highly geared and this could mean they have overstretched themselves in their recent expansion of operations and have few opportunities left to invest in other functional areas in the future.	

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Question	Answer	Marks
1	Exemplars and annotations for AO3 (assuming relevant AO1 has been awarded):	

No credit (no analysis on RT)	**L1 A1 (limited analysis)**	**L2 A2 (developed analysis)**	**L3 A3 (developed analysis of strategy)**
TQM requires all workers' involvement throughout the production process. This can motivate employees.	TQM requires all workers' involvement throughout the production process. This can motivate employees. It reduces poor reviews so customer loyalty.	TQM requires all workers' involvement throughout the production process. This can motivate employees. It reduces poor reviews so customer loyalty. This will lead to less cost of refunds.	TQM requires all workers' involvement throughout the production process. This can motivate employees. It reduces poor reviews so customer loyalty. This will lead to less cost of refunds. However, TQM requires training which will lead to higher costs and lower profits.
JIT where raw materials are shipped as they are needed.	JIT where raw materials are shipped as they are needed. This leads to reduced holding costs and the increased profit margins.	JIT where raw materials are shipped as they are needed. This leads to reduced holding costs and the increased profit margins. This will attract investors allowing future growth.	JIT where raw materials are shipped as they are needed. This leads to reduced holding costs and the increased profit margins. This will attract investors allowing future growth. However, it is reliant on the arrival of materials, if it is late it will reduce output hence less profits.

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Question	Answer	Marks
1	**AO4 Evaluation** Evaluation (N1 and N2 and N3) including: Evaluation will depend on what points have been made about whether the operations strategy has supported the success or not. • The use of lean production techniques will have supported the growth of the business as it would have allowed them to become more efficient – ultimately helping them save money for future growth. However, it has taken three years to implement the lean production techniques which seems like a long time, was there resistance from the staff which has meant the benefits from increased profit margins could have been bigger if this had happened faster? • Has JIT had all the benefits they planned? There have been 'supply interruptions in cotton' which is out of their control and would disrupt any JIT delivery plans they have had. • Has Kaizen (continuous improvement) been sustained and used across all sites by 2023? As RT has increased in size have they been able to implement this across the bigger sites? Have acquired businesses been open to changes in operational practices to get the efficiency in their businesses? • The mergers/takeovers have helped RT secure their supply and expand operationally but did RT have problems with cotton supply – did they need to take over the farms? Most fabric stays in the country so there is not as much market growth or as many opportunities for them, would they have been better marketing their fabric lines and increasing custom that way? • The investment in the new premises in 2021 has helped them update and grow but if capacity has increased by 66%, have they got the customers to utilise this capacity? Have they got too big too quickly? Will this lead to diseconomies of scale? • Have any of the growth opportunities led to economies of scale and the cost savings they bring? Profits have fallen and gearing has increased so is the business benefitting from being this size? • Financially speaking the purchase of the new premises in 2021 and the competitor in 2022 have put a strain on the business. Gearing increased although it is now starting to come down, profits fell, although return on capital is now starting to recover. Does the business now need to consolidate until the ratios have improved? How do shareholders feel about this at the moment? Will they want to pursue further operational strategies that put pressure on the finances? • An overall judgement on whether the operational strategy has supported the success of the business will be needed. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>Exemplars and annotations for AO4 (assuming relevant AO1 has been awarded):
<table>
<tr><th>No credit (no supporting evidence)</th><th>L1 N1 (limited supporting evidence)</th><th>L2 N2 (developed supporting evidence)</th><th>L3 N3 (developed supporting evidence with context)</th></tr>
<tr><td>We could conclude that the operations strategy using lean production has supported the success of RT.</td><td>We could conclude that the operations strategy using lean production has supported the success of RT with the implementation of JIT and Kaizen it ensures quality and production efficiency.</td><td>We could conclude that the operations strategy using lean production has supported the success of RT with the implementation of JIT and Kaizen it ensures quality and production efficiency. This means the business can meet the demand and there are no delays.</td><td>We could conclude that the operations strategy using lean production has supported the success of RT with the implementation of JIT and Kaizen it ensures quality and production efficiency. This means the business can meet the demand and there are no delays. RT was able to increase production capacity by 66%.</td></tr>
<tr><td>The use of lean production techniques will have supported the success of the business.</td><td>The use of lean production techniques will have supported the success of the business as it would have allowed them to become more efficient.</td><td>The use of lean production techniques will have supported the success of the business as it would have allowed them to become more efficient – ultimately helping them save money for future growth of RT.</td><td>The use of lean production techniques will have supported the success of the business as it would have allowed them to become more efficient – ultimately helping them save money for future growth. However, it has taken three years to implement the lean production techniques which seems like a long time, was there resistance from the staff which has meant the benefits from increased profit margins could have been bigger if this had happened faster?</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

Advise Carlos on which approaches RT should use to develop a business strategy to achieve 'profit through diversification'.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
3 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
8 marks</th><th>AO4 Evaluation
7 marks</th></tr>
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Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>20</td></tr>
</table>

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Question	Answer	Marks
2	**Indicative content** **AO1 Knowledge and understanding** Knowledge K (max 2 marks) can be awarded for any relevant business knowledge on approaches to develop business strategy, including: • Blue ocean strategy – the aim to combine product differentiation with low-cost to develop new markets and demand. It is about finding uncontested markets to gain a competitive advantage. Comparison with red ocean strategy awardable. • Scenario planning – managers consider the main risks and uncertainties and adopt different strategies for different scenarios. Flexible approach. • SWOT analysis – strengths, weaknesses, opportunities, threats. SWOT is very easy to construct so can be subjective. • PEST analysis – focuses on the macro environment including political, economic, social and technological. • Porter's five forces – threats of substitutes, supplier power, threat of entry, buyer power, competitive rivalry. • Core competence framework – core competencies lead to the development of core products. Core products are not necessarily sold to final consumers. Instead, they are used to produce many end-user products. • Ansoff matrix – market penetration, market development, diversification, product development. Different options open to a marketing manager when considering new opportunities for sales growth. It includes thinking of the market in which the business is going to operate and the product(s) it plans to sell. Business decides whether to remain in the existing market or to enter new ones along with whether to sell existing products or develop new ones. • Force field analysis – weighs up the potential advantages and disadvantages of a decision before a choice is made. It gives managers an insight that will allow them to strengthen the forces supporting a decision and reduce the forces that oppose it. • Decision trees – considers all of the options open to a manager, the different possible outcomes resulting from these options, the chances of these outcomes occurring, and the economic returns from these outcomes. **No further AO1, AO2, AO3 or AO4 without at least one K from the approaches above.** **AO2 Application** Application APP (max 2 marks) can be awarded for **applying knowledge of approaches,** to RT: • Carlos' aims for the next 5 years. • Growing global economy. • PEST analysis he wants to produce. • 2021 purchase of new factory sees increase in capacity by 66%. • Also increase in capital intensive production with more technically advanced cotton processing machinery purchased. • The increasing exports of Brazil increasing international competitiveness.	

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Question	Answer	Marks
2	• Brazil is one of the largest producers of cotton. • The increased publicity from the Brazil fabric industry magazine article. • Any element of the case study. • Any element of the appendices. **AO3 Analysis** Candidates are likely to focus on two or three approaches. Analysis of the impact of usefulness of approaches to develop business strategy (A1 and A2 and A3) including: • The usefulness of approaches to develop a strategy that brings 'Profit though diversity' for RT. • PEST analysis will be useful to understand the external environment of each potential market. This could be especially useful if RT is to become a global player in either or both the fabric market and the soya been market as they will now have to consider the needs and restrictions of other countries. • Blue ocean strategy may allow RT to break into the international market but even if you take this premise, that market is going to be competitive globally once RT is in there. Blue Ocean strategy may be useful if RT want to redefine how they operate in Brazil when finding new markets which may be possible given they are now one of the top 5 producers in the country. • Scenario planning could allow Carlos to explore different possibilities in the markets he wants to develop but two of those – export fabric and soya bean production – are markets they currently do not operate in. How will they get data to help construct different scenarios within those markets? • SWOT analysis to understand the internal strengths and weaknesses of the business. Use the strengths to overcome future threats and the opportunities to overcome present weaknesses. However, he may not have the data to understand the opportunities and threats in those markets where RT is new. • Porter's five forces may help Carlos to develop an understanding of the forces in each potential market. It will require an investment in market research to understand the competitive nature of each market. But given they supply their own cotton how useful is the power of suppliers? Also the fact that they are one of top 5 producers implies they hold a lot of power so would this be a useful model for RT to invest time and money in if it confirms what they know? • Core competencies might work for the initial strategy of finding new markets and it will help them with exporting their fabric but they have little experience in farming and even less in soya production and how many of the core competencies of the business would help that strategy? • Ansoff matrix may be the most useful to analyse the risk of any new strategy. Does this really help Carlos to develop a strategy?	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

- Force field analysis could help Carlos to understand the constraining and driving forces in developing a new strategy. This may help him to identify actions that need to be taken to reduce constraining forces. However, Carlos may not have enough data and experience to do a force field analysis.
- Decision trees are unlikely to be helpful in developing a new strategy, but they could be used to help decide between alternative strategies. Carlos may find it difficult to obtain the data on probabilities and economic outcomes to construct a decision tree.

<table>
<tr><th>No credit (no analysis on RT)</th><th>L1 A1 (limited analysis)</th><th>L2 A2 (developed analysis)</th><th>L3 A3 (developed analysis of strategy)</th></tr>
<tr><td>The strengths, weaknesses, opportunities and threats can help RT find a diversified approach. The increased publicity from the Brazil fabric industry magazine article.</td><td>The strengths, weaknesses, opportunities, and threats can help RT find a diversified approach. The increased publicity from the Brazil fabric industry magazine article will have an increased brand recognition.</td><td>The strengths, weaknesses, opportunities, and threats can help RT find a diversified approach. The increased publicity from the Brazil fabric industry magazine article will have an increased brand recognition. This will increase sales and establish itself with new products.</td><td>The strengths, weaknesses, opportunities, and threats can help RT find a diversified approach. The increased publicity from the Brazil fabric industry magazine article will have an increased brand recognition. This will increase sales and establish itself with new products. However, a high increase in labour turnover may suggest employees do not buy into the aim of profit through diversification resulting in failure to diversify.</td></tr>
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Question	Answer	Marks
2		

No credit (no analysis on RT)	L1 A1 (limited analysis)	L2 A2 (developed analysis)	L3 A3 (developed analysis of strategy)
SWOT analysis can help RT find their strength to achieve their goal.	SWOT analysis can help RT find their strength to achieve their goal. With many factories of production RT can gain economies of scale which will reduce unit costs.	SWOT analysis can help RT find their strength to achieve their goal. With many factories of production RT can gain economies of scale which will reduce unit costs allowing them to save money for research to design new products for the fabric market.	SWOT analysis can help RT find their strength to achieve their goal. With many factories of production RT can gain economies of scale which will reduce unit costs allowing them to save money for research to design new products for the fabric market. However, potential threat from existing competitors may reduce profits and thus diversification of RT.
Looking at PEST economic factors shows the increasing export of Brazil suggests increasing international competitiveness.	Looking at PEST economic factors shows the increasing export of Brazil suggests increasing international competitiveness. RT will be able to diversify and risks can be shared.	Looking at PEST economic factors shows the increasing export of Brazil suggests increasing international competitiveness. RT will be able to diversify and risks can be shared. This will allow RT to have an absolute advantage over producers.	Looking at PEST economic factors shows the increasing export of Brazil suggests increasing international competitiveness. RT will be able to diversify and risks can be shared. This will allow RT to have an absolute advantage over producers. However, this also means there can be intense competition among domestic and international markets reducing sales and profits.

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Question	Answer	Marks
2	**AO4 Evaluation** Evaluation (N1 and N2 and N3) including: Evaluation will largely depend on the points raised in the analysis of the approaches needed to develop the new strategy. • The unpredictability of the dynamic external environment – is RT more exposed if they start operating in global markets for fabric and soya? • PEST analysis is not going to help internally with a strategy, it will just evaluate the external environment which needs addressing if they enter new markets but will not resolve any financial or operational issues the business has with a new strategy. • To what extent should Carlos try to plan for a new strategy with the resources that he has? New strategy will likely include finding funds – is he overstretched after 8 years of growth? Ratios would imply they are only now starting to recover after the last expansion. • Many of the approaches rely heavily on the accuracy of forecast data – and 2 of those markets are unknowns. • Advice to Carlos should make clear which approaches are likely to be most relevant and useful in this context. Accept all valid responses. Exemplars and annotations for AO4 (assuming relevant AO1 has been awarded):	

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Question	Answer	Marks
2		

No credit (no supporting evidence)	**L1 N1 (limited supporting evidence)**	**L2 N2 (developed supporting evidence)**	**L3 N3 (developed supporting evidence with context)**
Overall SWOT analysis seems to be the best approach to develop the business strategy to achieve profit through diversification.	Overall SWOT analysis seems to be the best approach to develop the business strategy to achieve profit through diversification. This is because SWOT will cover all areas that PEST will.	Overall SWOT analysis seems to be the best approach to develop the business strategy to achieve profit through diversification. This is because SWOT will cover all areas that PEST will. However, the effectiveness of SWOT needs to be considered as it is all qualitative values. This means that Carlos will make choices to diversify with quantitative factors.	Overall SWOT analysis seems to be the best approach to develop the business strategy to achieve profit through diversification. However, the effectiveness of SWOT needs to be considered as it is all qualitative values. This means that Carlos will make choices to diversify with quantitative factors. Especially that RT's financials such as ROCE has dropped from 26% to 9%.
Overall I think RT should use several approaches to achieve profit through diversification	Overall I think RT should use several approaches to achieve profit through diversification. RT should use SWOT and PEST to look at the external and internal environment and have a full picture of the business	Overall I think RT should use several approaches to achieve profit through diversification. RT should use SWOT and PEST to look at the external and internal environment and have a full picture of the business. This will allow RT to look at their strengths and find new ways to diversify which will increase sales and profits.	Overall I think RT should use several approaches to achieve profit through diversification. RT should use SWOT and PEST to look at the external and internal environment and have a full picture of the business. This will allow RT to look at their strengths and find new ways to diversify which will increase sales and profits. RT's strength of control over their supply chain by taking over the farms allows no disruption of supply which means they may become more productive and make new products allowing exports to other countries to be successful and profitable.