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General Certificate of Education
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GCE Business Studies BUSS3

Strategies for Success

Unit3

Final

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Candidates give accurate definitions of relevant terms. Candidates can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Candidates should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Candidates will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Candidates use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, candidates may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Candidates evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Candidates will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to: • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate The assessment of the quality of written communication is included in **Assessment Objective 4**.

ADDITIONAL GUIDANCE FOR MARKING SCHEME

The marking scheme requires decisions to be made on whether candidates' responses represent limited, reasonable or good application and limited, reasonable or good analysis. If a response demonstrates good analysis and application, award Level 5, full marks. Alternatively, if a response does not contain any relevant knowledge then a mark of zero would be appropriate.

In making a decision about whether a particular response is good, reasonable or limited, please use the following guidelines.

APPLICATION

Good application can be demonstrated in three ways.

- **By combining data**. For example, in responding to question 4, a candidate may link the increased operating profit of £175 million and the reduced unit cost figures to argue that the firm has met the objective of returning to profitability.
- **By manipulating data**. This will commonly be evidenced by linking two manipulated pieces of data, eg asset turnover and ROCE results for question 4.
- **By being consistently in context**. An answer may not demonstrate either of the above characteristics, but it may be in context throughout with each argument related to the scenario.

Reasonable application could typically be awarded by correctly calculating an appropriate financial ratio, ie for correctly selecting the right figures from the data and then using them in the correct way.

Limited application would be shown by correctly identifying a piece of data from the case study that supports the point being put forward. For example, in question 2, to support the argument for further consultation with staff by pointing out that Andrew only met with trade union representatives rather than addressing the whole staff.

For application to be creditworthy it must be used as part of a relevant argument. Some candidates simply copy out part of the case. This should **not** receive credit.

ANALYSIS

Good analysis is shown when a candidate develops a chain of argument with a clear focus on the question. For example, when responding to question 3, a line of argument which puts the case for sticking with traditional British products, by suggesting that they are likely to be differentiated from much of the pottery available in China, thereby adding value, which would allow a premium price to be charged, thus boosting overall profit margins.

Reasonable analysis will be shown through less developed chains of argument or those with a less clear focus on the question. For example, in question 1, developing a point that quality may be problem, by explaining that customer satisfaction may be low and the department store may not repeat its order in the future.

Limited analysis would be displayed by a candidate offering a simple yet valid understanding of cause and/or effect within their answer. For example, in question 1, a candidate may suggest that the existing high level of capacity utilisation may make it hard for *Burkinshaw*'s factories to generate sufficient output to meet the Chinese department store's order.

Simple points or ideas expressed without any development should be rewarded with knowledge marks.

EVALUATION

The driving force behind the award of evaluation marks is the quality of evaluation included in the answer and not the Quality of Written Communication. The key is the extent of the support for a judgement. Evaluative comments may be offered throughout a response and may support a judgement fully. Level 3 marks should be awarded to candidates who make judgements clearly

related to the original question which is supported by the arguments offered elsewhere in their answer.

The decision on the Quality of Written Communication should be used to adjust a mark within the level selected on the basis of the candidate's evaluation. For example, a candidate may have been awarded the lower mark in E3 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E3.

A well written answer without any evaluation can receive one mark for quality of language.

1 **Total for this question: 10 marks**

01	Analyse the potential operations management problems that may result from accepting the Chinese department store's order. *(10 marks)*

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**10–9**
L4	Good application **AND** Reasonable analysis ***or*** Good analysis **AND** Reasonable application	**8–7**
L3	Reasonable application **AND** Reasonable analysis ***or*** Good application ***or*** Good analysis	**6–5**
L2	Knowledge **AND** Limited application ***or*** Knowledge **AND** Limited analysis	**4–3**
L1	Knowledge ***or*** problem(s) identified	**2–1**

Relevant answers might include the following:

- capacity utilisation issues – Chinese factory is currently working at 95%
- unit costs may rise as a result of increased levels of output
- effect upon quality - % defective products is higher than previous UK factory levels. Potential significant problem as the order is for an 'exclusive' range of products
- research and development centre is based in the UK – potential communication and coordination problems.

2 **Total for this question: 18 marks**

02 Andrew Mitchell believed that the best solution to resolving the dispute over the introduction of new technology was to close the UK factories and move production to a purpose-built factory in China. Do you agree with this view? Justify your decision.
(18 marks)

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**13–12**
L4	Good application **AND** Reasonable analysis ***or*** Good analysis **AND** Reasonable application	**11–9**
L3	Reasonable application **AND** Reasonable analysis ***or*** Good application ***or*** Good analysis	**8–6**
L2	Knowledge **AND** Limited application ***or*** Knowledge **AND** Limited analysis	**5–3**
L1	Knowledge ***or*** argument(s) identified	**2–1**

Relevant answers might include the following:

Arguments for Andrew Mitchell's view:

- the business needed to improve its efficiency as the productivity of the workforce was lower than that of competitors
- the business was losing sales to cheaper competitors
- Andrew's objective was to return the business to profitability
- he held a meeting with the union to explain the reasons for the need to improve efficiency
- he offered an extensive training programme plus pay rise for employees prepared to accept new technology
- he offered reasonable redundancy terms
- his decision to retain the headquarters in the UK and to establish a research and development centre.

Arguments against Andrew Mitchell's view:

- his failure to consult and negotiate with the unions
- Andrew's insistence on the need to introduce new technology despite pressure from the union and local members of parliament
- his failure to recognise the fact that the business was a significant source of employment
- his refusal to make any further concessions
- the lack of recognition of the skilled nature of the jobs that would be lost and the fact that the workers affected had worked for the company for several years.

Points for Evaluation might include:

- Andrew's decision to keep the headquarters in the UK and build a new research and development centre provides evidence of commitment to the UK workforce
- the involvement of a third independent party such as ACAS could possibly have resolved this dispute and enabled effective employer/employee relations
- ultimately, it is Andrew's responsibility to improve the efficiency of the business, however, he should have consulted the unions earlier and adopted a less confrontational approach
- Andrew's background is in marketing – perhaps he should have left the negotiations to an HR specialist.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good judgement shown in weighing up the arguments with an effective conclusion. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	5–4
E2	Reasonable judgement shown in reaching a conclusion. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3
E1	Limited judgement shown. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	2–1

3 **Total for this question: 18 marks**

03	The Marketing Director argues that the company's marketing strategy should be to develop new products aimed specifically for the Chinese market rather than traditional 'British' products. Do you agree that this is right? Justify your decision. *(18 marks)*

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**13–12**
L4	Good application **AND** Reasonable analysis ***or*** Good analysis **AND** Reasonable application	**11–9**
L3	Reasonable application **AND** Reasonable analysis ***or*** Good application ***or*** Good analysis	**8–6**
L2	Knowledge **AND** Limited application ***or*** Knowledge **AND** Limited analysis	**5–3**
L1	Knowledge ***or*** argument(s) identified	**2–1**

Arguments for the Marketing Director's view might include the following:

- the strategy is diversification and offers an opportunity to spread risk
- potential for high rewards – the Chinese market is the fastest growing
- approach from the department store for an exclusive product range provides evidence to support this view
- increased % of marketing budget from 2% to 20% in China has produced greater interest in the company's products.

Arguments against the Marketing Director's view might include the following:

- the current strategy is one of market development
- it has already achieved a 3% market share
- it is less risky
- the existing products are well known and established
- only 6% of senior managers are non UK citizens – limited knowledge of the Chinese market.

Points for Evaluation might include the following:

- how much market research has been undertaken to support the Marketing Director's view?
- the diversification strategy is riskier but could potentially be more rewarding
- how different is the Chinese market compared to the current EU and US markets?
- to what extent is Andrew Mitchell prepared to trust the Marketing Director's judgement?

See next page for Evaluation.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good judgement. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	5–4
E2	Reasonable judgement. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3
E1	Limited judgement. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	2–1

4 **Total for this question: 34 marks**

04 Andrew Mitchell's view is that his strategy to transfer production to China has been successful in fulfilling the company's objectives. Using all the information available to you, complete the following tasks:

- analyse the arguments **for** Andrew Mitchell's view
- analyse the arguments **against** Andrew Mitchell's view
- make a justified conclusion on whether you think his strategy has been successful.

You are encouraged to use numerical evidence to support your answer.

(34 marks)

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**24–21**
L4	Good application **AND** Reasonable analysis ***or*** Good analysis **AND** Reasonable application	**20–16**
L3	Reasonable application **AND** Reasonable analysis ***or*** Good application ***or*** Good analysis	**15–11**
L2	Knowledge **AND** Reasonable application ***or*** Knowledge **AND** Reasonable analysis	**10–6**
L1	Knowledge (***or*** argument(s) identified) **AND** Limited application ***Or*** Knowledge (***or*** argument(s) identified) **AND** Limited analysis	**5–1**

Arguments for Andrew's view might include the following:

- profitability – loss of £50m in 2005 compared to profit of £175m in 2010
- ROCE : **2005** -9.24% **2010** $\frac{175}{602}$ x 100 = 29.06%
- Efficiency has improved:

	2005	**2010**
Asset turnover	1.17	$\frac{600}{300}$ = 2

- improvements in profitability and efficiency could be attributed to falling unit costs linked to improved capacity utilisation and lower labour costs plus technical economics of scale
- revenue has risen from £400m to £600m – rise in R+D spending has led to an increase in product lines plus increased marketing budget
- PED has fallen – could be linked to increased marketing budget plus a stronger correlation between marketing spending and sales

- according to Ansoff, this strategy would be classified as market development and consequently offers opportunities for growth and risk spreading
- China, in particular, has an attractive forecast sales growth of 10% which supports Andrew's marketing strategy of entering new geographical markets.

Arguments against Andrew's view might include the following:

- liquidity has worsened:

	2005	**2010**
Current ratio	1.91:1	$\frac{82}{80}$ = 1.02:1

- gearing has increased:

2005	**2010**
36.96%	$\frac{302}{602}$ x 100 = 50.1%

- funding appears to be from long-term borrowing resulting in the business being exposed to increased risk
- expansion has created liquidity problems – danger of overtrading
- delivery times to EU retailers have increased – distribution difficulties linked to increased distance between China and UK, EU and USA
- % of defective products has increased – linked to quality of Chinese workforce? Technology problems at the new factory? Training budget has been reduced
- fall in trade union membership may create less effective employer/employee relations
- the new strategy carries increased risk as the business is launching products into a new market according to Ansoff
- EU and USA have higher combined forecast growth rates than China.

Points for Evaluation might include the following:

- Andrew's strategy has been successful so far in terms of meeting the objectives of returning the business to profitability and business growth
- However, he needs to address the liquidity problems and quality issues
- will the business require extra funding for this new venture? Potential higher gearing problems?
- need for a more decentralised approach? Potential for communication and coordination problems between HQ and Chinese factory
- recruitment of more non UK senior managers especially those with knowledge of these markets
- would it not be safer to carry on expanding into its existing markets?

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good judgement shown in weighing up the overall effectiveness of Andrew's strategy. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	10–8
E2	Reasonable judgement shown regarding the effectiveness of Andrew's strategy. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	7–4
E1	Limited judgement shown. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	3–1