



**General Certificate of Education (A-level)
January 2012**

Business Studies

BUSS3

(Specification 2130)

Unit 3: Strategies for Success

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 the 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 students' 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 students' 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 students' 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 students' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Students give accurate definitions of relevant terms. Students 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	Students 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. Students will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Students use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, students 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	Students 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 student's own arguments for and against a proposition. Students 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 students are required to produce extended written material. Students will be assessed according to their ability to: <ul style="list-style-type: none"> • 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 <p>The assessment of the quality of written communication is included in Assessment Objective 4.</p>

ADDITIONAL GUIDANCE FOR MARKING SCHEME

The marking scheme requires decisions to be made on whether students' responses represent reasonable or good application and 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 or reasonable, please use the following guidelines.

APPLICATION

Good application can be demonstrated in three ways.

- **By combining data.**
- **By manipulating data.** This will commonly be evidenced by linking two manipulated pieces of data
- **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 selecting the right figures from the data and then using them in the correct way.

For application to be creditworthy it must be used as part of a relevant argument. Some students 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.

Reasonable analysis will be shown through less developed chains of argument or those with a less clear focus on the question.

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 students 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

Analyse the possible issues that Scott Electronics plc would have to consider if it is to implement a strategy of innovation. (10 marks)

Level	Descriptor	Marks
L5	Good application AND Good analysis	10–9
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	8–7
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	6–5
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	4–3
L1	Knowledge <i>or</i> issue(s) identified	2–1

Definition: Innovation is the successful exploitation of new ideas.

Possible issues for application might include the following:

- **financial** – initial cost of £10m, company is only making modest profits
- **operations** - need to increase % of revenue spent on R&D – currently well below industry average (1% compared to 10%). Similarly, number of new products launched is currently five per year compared to the average of 15
- **marketing** – previously Scott Electronics has placed little emphasis on innovation, preferring to make cheaper versions of its competitors' products
- **HR** – current management approach does not encourage creativity, eg views employees as a resource, centralised organisational structure and number of kaizen groups is currently well below industry average (2 compared to 10).

Possible lines of analysis might include the following:

- **financial** – the company may find it difficult to raise the finance for this venture
- **operations** – the lack of spending on R&D currently puts the company at a competitive disadvantage in terms of new product development
- **marketing** – need for effective market research to identify potential demand
- **HR** – need to recruit specialist staff, different management approach required to encourage creativity.

2

Total for this question: 16 marks

*With reference to the data in **Appendix B, Figure 3**, do you think the shareholders of Scott Electronics plc will be pleased with the company's financial performance in 2011? You are encouraged to use calculations to support your answer. (16 marks)*

Level	Descriptor	Marks
L5	Good application AND Good analysis	13–12
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	11–9
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	8–6
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	5–3
L1	Knowledge <i>or</i> issue(s) identified	2–1

Dividend per share: **2010** $\frac{1}{5} = 20\text{p per share}$ **2011** $\frac{2}{5} = 40\text{p per share}$

Dividend yield: **2010** $\frac{0.2}{1.5} \times 100 = 13.3\%$ **2011** $\frac{0.4}{2.0} \times 100 = 20.0\%$

Current ratio: **2010** 1.6:1 **2011** 2.1:1

Possible reasons why the shareholders would be pleased might include the following:

Issues for application:

- both the dividend per share and dividend yield have improved
- the share price has risen from £1.50 to £2.00
- operating profit has risen by £2m
- reserves have increased by £1m
- current ratio has risen.

Possible lines of analysis:

- rising dividend per share and dividend will make owning these shares more attractive, encouraging existing shareholders to retain their shares
- rising share price will please existing shareholders and may attract potential investors
- rise in operating profit indicates improved financial performance
- increase in reserves indicates that the business is reinvesting profits which could be good for long-term growth
- current ratio has risen indicating better liquidity but may also indicate too much cash not being used effectively.

Possible reasons why the shareholders would not be pleased might include the following:

Issues for application

- the dividend yield is still below the industry average
- 'one-off' item, namely the sale and leaseback of head office, will have improved the financial performance of the company.

Possible lines of analysis:

- shareholders may not be content with the lower than industry average dividend yield and could sell their shares
- the 'one-off' item is 'low profit quality'.

Evaluation

- dependent upon the shareholders' expectations
- short-term improvement in shareholders' ratios, profitability and share price
- low profit quality may concern shareholders in relation to the future performance of the company.

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' 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. Answer has a logical structure throughout, with effective use of technical terms.	3
E2	Reasonable judgement. Evidence of a logical structure and some use of technical terms.	2
E1	Limited judgement. Limited evidence of a logical structure and limited use of technical terms.	1

3

Total for this question: 18 marks

To what extent do you think that Scott Electronics plc's current human resource strategy is effective? Justify your view. (18 marks)

Level	Descriptor	Marks
L5	Good application AND Good analysis	13–12
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	11–9
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	8–6
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	5–3
L1	Knowledge <i>or</i> reason(s) identified	2–1

Definition: A human resource strategy is how the organisation views its employees as a resource to achieve its objectives.

Possible answers might include the following:

Arguments that the HR strategy is effective:

Issues for application:

- high levels of productivity (105 compared to 100)
- lower unit costs than industry average (92 compared to 100)
- the business achieves higher than industry average levels of capacity utilisation (90% compared to 85%)
- centralised organisational structure
- tight span of control (5 compared to 8).

Possible lines of analysis

- high levels of productivity indicate that the high proportion of staff wages linked to bonuses is an effective technique
- lower unit costs than industry average can be linked to the high productivity levels
- high levels of capacity utilisation indicates that the workforce is being used efficiently
- centralised organisational structure enables quick decision making
- tight span of control enables closer supervision.

Arguments that the HR strategy is not effective:

Issues for application:

- % defective products is double the industry average (10% compared to 5%)
- labour turnover is higher than the industry average (10% compared to 6%)
- high proportion of staff on temporary contracts (75% compared to 25%)
- small number of kaizen groups (2 compared to 10)
- training budget is well below the national average (£500 compared to £1000) plus high proportion of pay linked to bonuses for meeting production targets (40% compared to 20%).

Possible lines of analysis:

- % defective products is double the industry average – could be a key issue for the smartphone proposal as the supermarket expects high standards of product quality
- high labour turnover indicates potential morale problems
- high proportion of staff on temporary contracts could result in feelings of insecurity
- small number of kaizen groups indicate that employees' opinions are not valued
- training budget is well below the national average plus high proportion of pay linked to bonuses for meeting production targets could explain the high levels of defects.

Evaluation:

- in terms of efficiency it could be argued that the strategy is effective
- the issue of the high % of defective products is potentially serious and can be explained by the emphasis on bonuses plus limited training
- how important is the workforce compared to other resources?

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' 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. Answer has a logical structure throughout, with effective use of technical terms.	5–4
E2	Reasonable judgement. Evidence of a logical structure and some use of technical terms.	3–2
E1	Limited judgement. Limited evidence of a logical structure and limited use of technical terms.	1

4

Total for this question: 36 marks

Using all the information available to you, complete the following tasks:

- analyse the arguments **for** accepting the smartphone proposal
- analyse the arguments **against** accepting the smartphone proposal
- make a justified recommendation on whether the smartphone proposal should be adopted.

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

(36 marks)

Level	Descriptor	Marks	Default mark
L5	Good application AND Good analysis	24–21	23
L4	Good application AND Reasonable analysis or Good analysis AND Reasonable application	20–16	18
L3	Reasonable application AND Reasonable analysis or Good application or Good analysis	15–11	13
L2	Knowledge AND Reasonable application or Knowledge AND Reasonable analysis	10–6	8
L1	Knowledge or reason(s) identified	5–1	3

Arguments for the new strategy might include the following:

Issues for application:

- 25% of the UK population will be aged between 45–65 in 2014 rising to 30% in 2019 making this age group a huge potential market
- the UK smartphone market is predicted to rise from £5.92bn to £7.36bn by 2014
- good reputation of the supermarket plus wide distribution of the phone
- the supermarket's target market is predominantly middle-aged and middle-class.
- It has a reputation of good customer service
- based upon the sales forecasts it would make a profit of £500 000 in the first year
- the proposal has a net profit margin of 16.7% and return on capital of 5%
- current ratio of 1.6:1 in 2010 and 2:1 in 2011
- operationally, the business is efficient with higher than industry average levels of capacity utilisation and productivity
- lower unit costs (92 compared to 100)
- the high proportion of bonuses for meeting targets could be linked to the high productivity levels.

Possible lines of analysis:

- the rising proportion of 45–65 year olds makes this age group a huge potential market
- growing popularity of ‘smartphones’ offers a good opportunity to ‘add value’
- the supermarket’s target market is ideal for the smartphone
- it has a reputation of good customer service - could persuade the target market to ‘trade up’ to a smartphone
- current ratio of 1.6:1 in 2010 and 2:1 in 2011 indicates that the business has good liquidity and hopefully will not encounter cash flow problems from the smartphone venture
- lower unit costs (92 compared to 100) could lead to lower prices which is an important factor for the target market.

Arguments against the new strategy might include the following:

Issues for application:

- the target market is not interested in technologically sophisticated phones
- the mobile phone market is predicted to rise but there is no information regarding whether this is due to increased spending by the 45–65 age group
- how much influence will *Scott Electronics plc* have with the supermarket regarding the marketing of their phones?
- current spending on R&D is less than industry average – the business currently places little emphasis on innovation
- financially, the business is only making modest profits and providing disappointing returns to shareholders
- current ‘hard’ HR approach could explain the higher labour turnover and greater % of defective products
- based upon the sales forecasts, capacity utilisation will rise to 96%
- payback is 20 years.

Possible lines of analysis:

- overcoming the resistance of the target market to technologically sophisticated phones will require a substantial marketing effort
- low R&D spend plus little emphasis on innovation may cause difficulties in developing the smartphone successfully
- modest profitability plus disappointing shareholder returns may create difficulties in terms of meeting the financial demands of the strategy
- morale issues resulting from the current HR approach need to be resolved especially in the factory in Taiwan
- based upon the sales forecasts, capacity utilisation will rise to 96% - potentially putting extra pressure on machinery and the workforce which could lead to further morale and quality problems
- payback is very long especially in a fast changing market such as this.

Evaluation:

- this is a radical change of direction for the business – how prepared are the directors to accept this new approach?
- does the business have sufficient resources and expertise to compete in this market?
- how easy will it be to persuade the 45–65 year old market to ‘trade up’ to a smartphone?
- reliability of the sales and costs data
- currently, the business is only making modest profits and providing poor returns to shareholders – it needs to do something to improve its performance
- how satisfied will the shareholders be with the predicted returns of this proposal?
- what proportion of profits will be needed to be reinvested to support this proposal rather than given as dividends?

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' 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	<i>Default mark</i>
E3	Good judgement. Answer has a logical structure throughout, with effective use of technical terms.	12–9	11
E2	Reasonable judgement. Evidence of a logical structure and some use of technical terms.	8–5	7
E1	Limited judgement. Limited evidence of a logical structure and limited use of technical terms.	4–1	3