Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Case Study **March 2021**

MARK SCHEME

Maximum Mark: 100

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.

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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.

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).

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

Analyse the benefits to BFB of continuing with a centralised structure as the business develops.

<table>
<tr><th>Level</th><th>Knowledge
3 marks</th><th>Application
2 marks</th><th>Analysis
5 marks</th></tr>
<tr><td>2</td><td>3 marks
Knowledge of centralisation and two relevant points linked to benefits</td><td>2 marks
Two or more points applied to BFB</td><td>4–5 marks
Good use of theory and/or reasoned argument to explain benefits</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge of centralisation and one benefit OR one/two benefits</td><td>1 mark
One point applied to BFB</td><td>1–3 marks
Some use of theory and/or reasoned argument to explain benefits</td></tr>
</table>

Note:
Question is about benefits. No marks for drawbacks.
Do not credit reproduction of phrases or data in the case study without use and/or comment.

Knowledge
Definition of centralisation: keeping all the important decision-making powers within head office or at the centre of the organisation.
- Minimum delegation to managers in other areas, departments or divisions of the business

Possible advantages include:
- Rapid decision making.
- Consistent policies throughout the organisation.
- Decisions taken in the interest of the whole business rather than just one division of it.
- Experience of senior managers resulting in better decisions.
- Central buying allows for greater economies of scale.

Application
- BFB is the market leader in country C – success of BFB achieved with centralised structure.
- Experience of Aela and John as founders and directors of BFB since 2014. Entrepreneur of the year in 2018.
- Linking centralisation to future growth plans of the business including cycling accessories or mountain bikes and developing bikes for consumers aged over 60.
- Quick decision making needed to deal with the dynamic external environment faced by BFB.
- BFB is a premium brand.
- BFB exports to more than 10% of output.

</td><td>**10**</td></tr>
</table>

Question	Answer	Marks
1	**Analysis** Building chains of arguments linked to Knowledge and Application points raised above. • Decisions made in interests of the business as a whole will ensure consistency in tactics to support BFB's strategic goals. As a premium brand it is important that there is consistency. Avoid dilution of the brand when introducing new products such as the bicycles aimed at over 60s. • Keeping brand image consistent in the different markets will ensure that customers will know what to expect from a BFB product thus increasing sales. • New products may be developed more quickly as there is clear direction from head office. Thus BFB can take advantage of market opportunities such as the over 60s market more effectively and this will increase sales and growth. • Avoids inexperienced managers making costly errors in their decision making. **ARA**	

Question	Answer	Marks
2(a)	**Refer to Appendix 1. Calculate the:**	
2(a)(i)	**gearing ratio** **Rationale** / **Content** / **Marks** Correct answer with or without units. Working not required. Allow accurate rounding. / 59.41% 146.34% / 4 Statement of correct calculation of gearing **OR** OFR based on error in calculating capital employed. Working not required. / 6 / 10.1 × 100 6 / 4.1 × 100 6 / 7 = 85.7% 6 / 9.1 = 65.93% 6 / 10.1 = 0.5941 / 3 Calculation of capital employed / 4.1 + 6 = $10.1m / 2 Calculation of shareholder equity **OR** Correct formula / 1 + 3.1 = $4.1m / 1 No creditable content / / 0 Relevant formulae: Non-current liabilities / (shareholder equity + NCL) × 100 (1 mark if no relevant calculation) Long term liabilities / capital employed × 100 (1 mark if no relevant calculation) **OFR**	**4**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(ii)</td><td>profit margin
<table>
<tr><th>Rationale</th><th>Content</th><th>Marks</th></tr>
<tr><td>Correct answer with or without units. Working not required. Allow accurate rounding.</td><td>6.06%</td><td>4</td></tr>
<tr><td>Statement of correct calculation of profit margin.

OR OFR based on error in calculating profit. Working not required.</td><td>0.8 / 13.2 × 100

3.2 / 13.2 × 100 = 24.24%

10.8 / 13.2 × 100 = 81.82%</td><td>3</td></tr>
<tr><td>Calculation of profit</td><td>13.2 – 10 – 2.4 = 0.8</td><td>2</td></tr>
<tr><td>Incorrect calculation of profit with or without units
OR Correct formula</td><td>$3.2m OR $10.8m</td><td>1</td></tr>
<tr><td>No creditable content</td><td></td><td>0</td></tr>
</table>
Relevant formula:
Profit margin = (profit for the year / sales revenue) × 100 (1 if no relevant calculation)

OFR</td><td>4</td></tr>
<tr><td>2(a)(iii)</td><td>acid test ratio

AT = liquid assets / current liabilities
OR
AT = (current assets – inventory) / current liabilities (1 if no relevant calculation)

AT = 0.6 / 1.3 (1)

AT = 0.46 OR 0.46:1 OR 1:2.17 (2)

6:13 (1) OR 0.6:1.3 (1)</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Recommend whether Aela and John should accept TT's offer. Justify your recommendation.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Two relevant points</td><td>2 marks
Two or more points applied</td><td>3–4 marks
Good use of theory and/or reasoned argument to analyse factors</td><td>3–4 marks
Good judgement shown e.g. well supported conclusion</td></tr>
<tr><td>1</td><td>1 mark
One relevant point</td><td>1 mark
One point applied</td><td>1–2 marks
Some use of theory and/or reasoned argument to analyse factors</td><td>1–2 marks
Some judgement shown e.g. one factor very important</td></tr>
</table>

Knowledge
This is a takeover.
Understanding of factors influencing decision:
- Objectives of current owners of the business.
- Control of business decision making.
- Need for finance in period of business growth.
- Benefit of support offered by a larger organisation.

Application
Use of results to **2(a)** / case study information. OFR
- Gearing is high at 59.41%. Most of finance is from bank loans.
- Acid test of 0.46 may indicate potential liquidity issues.
- Current ratio is low at 1.08.
- Working capital only $100 000.
- Profit margin is 6.06%. Is that sufficient for financing growth?
- BFB has borrowed substantial funds to finance growth.
- Accepting the offer would mean that Aela and John no longer control the business.
- Aela and John haven't taken a dividend yet.
- TT will support BFB's plans for growth.
- $7m for 55% values the business at $12.73m. This is much greater than the value of net assets at $4.1m or capital employed of $10.1m.

</td><td>12</td></tr>
</table>

Question	Answer	Marks
2(b)	**Analysis** • Profits insufficient to finance growth. Therefore, borrowing is increasing and this is increasing risk in the business. • Injection of finance into BFB would give greater stability to the business in time of economic uncertainty. • Support of TT – a much larger business could help BFB develop its product range and increase its market share. Economies of scale may result. • Move into cycling accessories or mountain cycles is risky and therefore need to sure up the finances of the business. • Support given to growth would generate profits and enable Aela and John to take a dividend from the business. **Evaluation** • Supported recommendation. • Importance of control to Aela and John relative to pursuit of growth of the business. • Elements that the evaluation/judgement might depend on: – Is $7m an appropriate valuation of a 55% stake? – Future capital needs of BFB – Possibility of selling less than 50% of shares so that Aela and John retain control. – How TT is financing the takeover? Debt financing could leave BFB even more indebted. – What is TT's underlying motive? • Significance of other factors that may also influence decision – Long-term role of Aela and John may be threatened. – Are other companies interested in investing in BFB – Possible culture class **ARA**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3</td><td>

Refer to Table 2 and any other information. Evaluate the likely impact on BFB's future decisions of changes in external influences.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
6 marks</th><th>Evaluation
6 marks</th></tr>
<tr><td>2</td><td>2 marks
Two relevant points</td><td>2 marks
Two or more points applied</td><td>4–6 marks
Good use of theory and/or reasoned argument to explain impact of external environment</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point</td><td>1 mark
One point applied</td><td>1–3 marks
Some use of theory and/or reasoned argument to explain impact of external environment</td><td>1–3 marks
Some judgement shown</td></tr>
</table>

Knowledge

- The external environment includes consideration of the economic, social, technological, demographic and legal factors that influence BFB.
  - Changes in real GDP measure economic growth.
  - Inflation is a sustained increase in the average price level.
  - The unemployment rate measures the percentage of the labour market without work.
  - The exchange rate index measures the value of a currency against a basket of other currencies.
  - Understanding of government fiscal and monetary policies.

Application

- Consumer price inflation is increasing and may impact costs and pricing decisions.
- Increasing costs may mean that BFB needs to identify methods of increasing efficiency.
- Rate of economic growth is forecast to slow to below 3% by 2023.
- Country C's currency has depreciated since 2019 making imports more expensive.
- Unemployment is falling making recruitment more difficult and will impact wages.
- Government may reduce spending to control national debt.
- Government may increase interest rates to control inflation. Link to BFB expansion plans.
- Increase in number of BFB's direct competitors and impact on marketing

</td><td>16</td></tr>
</table>

Question	Answer	Marks
3	**Analysis** • Potential increase interest rates will increase borrowing costs for BFFC making plans for growth less profitable thus impacting decision about growth and methods of financing. • Depreciation will impact cost of the many components from around the world. As costs increase this will affect pricing decisions of BFB. • Inflation will affect the discretionary income of households and potentially reduce spending in the economy affecting demand for cycles. • New factory may face increased wage pressure costs due to fall in unemployment. • Continued increase in real GDP will support decisions of BFB regarding growth. • New competitors may increase pressure on BFB to reduce prices and thus impact revenues and profit. **Evaluation** • Identification of most important external factor and justification • Diversification of BFB will reduce risk. • The external environment is dynamic and may change in the future and affect profitability differently. What if government changes policy? • Contingency planning may be significant. • Elements that the evaluation/judgement might depend on: – Impact of cost increases on profitability depend on price elasticity of demand. – Data in Table 2 is forecast. Actual changes may be very different. – Managers ability to plan for forecast changes. – Competitor actions in response to changes will be important. • Significance of other factors influencing decisions – Internal strengths and weaknesses will influence decision making in response to external influences – Proposed takeover may influence response of BFB **ARA**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Refer to Appendix 1. Calculate the inventory turnover ratio.
<table>
<tr><th>Rationale</th><th>Content</th><th>Marks</th></tr>
<tr><td>Correct answer with or without units.
Working not required. Allow accurate rounding.</td><td>12.5 times
29.2 days</td><td>4</td></tr>
<tr><td>Statement of correct calculation of inventory turnover.</td><td>10 / 0.8 OR
0.8 / 10 × 365</td><td>3</td></tr>
<tr><td>Correct calculation of inventory

OR OFR based on error in calculating inventory and statement of correct formula</td><td>$0.8m

e.g. 10 / 0.6 = 16.67</td><td>2</td></tr>
<tr><td>Correct calculation of inventories
OR Correct formula for inventory turnover</td><td>Inventory = 1.4 – 0.6</td><td>1</td></tr>
<tr><td>No creditable content</td><td></td><td>0</td></tr>
</table>
Relevant formulae:
Inventory turnover = cost of sales / value of inventories (1 if no relevant calculation)

Inventory turnover (days) = value of inventories / (cost of sales / 365)
OR average value of inventory / cost of sales × 365

OFR</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

You may refer to your results from 4(a) and any other information. Assess the likely impact on BFB of adopting lean production techniques.

Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
2	2 marks Two relevant points	2 marks Two or more points applied	3–4 marks Good use of theory and/or reasoned argument	3–4 marks Good judgement shown e.g. well supported conclusion
1	1 mark One relevant point	1 mark One point applied	1–2 marks Some use of theory and/or reasoned argument	1–2 marks Some judgement shown

Knowledge
- Definition of lean production: reducing all forms of waste.
- Lean production techniques
  - TQM
  - Quality circles
  - Cell production
  - JIT
- Knowledge of relevant ratios such as inventory turnover

Application
- Inventory turnover of 12.5. Inventory currently held for approximately 1 month (29.2 days).
- High levels of stocks of finished products to ensure demand is met.
- Problems of forecasting demand that BFB has faced.
- Many components from around the world – complex supply chain.
- Limited experience of operations manager.
- Shift of production to new factory.

Analysis
- By reducing all forms of waste BFB will be more efficient and this will reduce unit cost of production making BFB more competitive.
- Giving workers responsibility for quality may increase motivation, improve quality and productivity making BFB more competitive.
- Training costs will be required thus increasing costs of BFB.
- Complex supply chain with components from around the world will make JIT production difficult to implement. Lead times may be long.

</td><td>12</td></tr>
</table>

Question	Answer	Marks
4(b)	**Evaluation** • Elements that the evaluation/judgement might depend on: – Effectiveness will depend on supplier relationships and reliability of receiving supplies when needed. Given significant transport distances this may be difficult due to long lead times. – BFB hasn't been able to predict demand accurately. Thus, JIT risks lost customers if demand is underestimated. – Is inventory turnover high or low compared to competitors? • Significance of other factors that may also impact success of LP: – New factory, new workers so no ingrained culture to overcome. • Supported overall judgement about introduction of LP. **ARA**	

Question	Answer	Marks
5	**Evaluate the importance of marketing planning to the success of BFB's new products.**	**16**

Level	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 6 marks
2	2 marks Two relevant points	2 marks Two or more points applied	4–6 marks Good use of theory and/or reasoned argument	4–6 marks Good judgement shown
1	1 mark One relevant point	1 mark One point applied	1–3 marks Some use of theory and/or reasoned argument	1–3 marks Some judgement shown

Knowledge
Definition of marketing planning:
- Marketing objectives, budgets and marketing mix. Market research and situational analysis may also be explained.
- Success in terms of profit, sales, market share, customer satisfaction and meeting objectives set.

Application
- Older adults is a distinct market from children with differing needs
- Product differences necessary to attract older adults e.g. lower gears, changes to frame, easy change tyres.
- Use of social media to attract parents for existing products. Less likely to be appropriate for older generation.
- Premium pricing to reflect quality of product.
- Link to cycling accessories and mountain cycle options.
- Mature market for mountain bikes

Analysis
- Benefits of tailoring marketing according to differences in target markets to ensure that new products gain market sales.
  - Over 60s promotion might focus on more traditional above the line techniques using print media rather than social media
  - Skimming pricing for over 60s as there is limited competition in the market.
  - Mountain bikes may need more competitive pricing due to competition.
  - Mountain bikes more intense promotion to gain awareness and attract customers.
  - Cycling accessories may be targeted at people who already have bikes
- Need to cover costs to make a profit.
- More effective targeting of marketing budget when planned.

Question	Answer	Marks
5	**Evaluation** • Marketing planning gives a clear direction to the business making success more likely. However, does not guarantee success. • Particularly important for new markets such as mountain cycles or older adult market. • Other factors also important to success such as operations – Need to deliver bikes on time so implementation of JIT may affect success of marketing plan. • Elements that the evaluation/judgement might depend on: – Competitors' marketing strategies will be significant to success of marketing plan. – Level of detail in the marketing plan and its flexibility – being responsive to the changing environment. – Planning depends on effective market research to identify needs of customers and determine how best to appeal to them. **ARA**	

Question	Answer	Marks

Questions 6 and 7 use this marking grid:

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgement shown throughout with well supported conclusion/ recommendation, focused on the business in the case
2	3 marks Good understanding shown	3 marks Good application to the case	3–4 marks Good use of reasoned argument or use of theory to explain points made	4–6 marks Some judgement shown in the main body of the answer **and** an attempt to support conclusion/ recommendation, focused on the business in the case **OR** effective and well supported conclusion/ recommendation, focused on the business in the case
1	1–2 marks Some understanding shown	1–2 marks Some application to the case	1–2 marks Limited use of reasoned argument or use of theory to support points made	1–3 marks Limited attempt to show judgement either within the answer **OR** a weakly supported conclusion/ recommendation with some focus on the business in the case
0	No creditable content			

Question	Answer	Marks
6	**Evaluate the importance to BFB of strategic analysis when making strategic decisions.** Question is **not** about the choice between Option 1 and Option 2. Focus should be on how SA will help guide the direction of BFB. **Knowledge** Definition: the process of conducting research into the business environment within which an organisation operates, and into the organisation itself, to help form future strategies. • Explanation of strategic analysis and its techniques – SWOT, PEST, Boston Matrix, Porter's 5 Forces, core competencies. • Place of strategic analysis techniques in strategic management i.e. come before strategic choice. • Need to understand the external environment – requiring a detailed PEST analysis. **Application** • SWOT applied to BFB: – Strengths e.g. design and quality of cycles evidenced by award winning designs. – Weaknesses e.g. lack of contingency planning, inadequate QA systems, high gearing. – Opportunities e.g. mountain cycles. Accessories with high profit margins. – Threats e.g. government fiscal / monetary policy. • PEST applied to BFB: – Economic e.g. change to exchange rate/trade relations, government policies. • Relevant application of other techniques e.g. Boston Matrix. • Link between SA and introduction of lean production. • Core competencies – cycle design. **Analysis** • Analysis of how strategic analysis might guide strategic decisions: – Identification of weaknesses that need to be addressed when making decisions or alternative sought e.g. financing. – Anticipating changes to the external environment will enable BFB to take decisions to reduce risk and take advantage of opportunities. • SA will help reduce the risk of decisions taken by BFB as it will help BFB build on their core competencies and strengths and highlight weaknesses that need to be resolved. • SA takes time to do in terms of management focus, reducing time available for other tasks. • Boston Matrix as part of product portfolio analysis could help identify cash cows and dogs. This information can be useful in ensuring that BFB maintains a balanced product portfolio and identify products for divestment. • Porter's Five Forces: Power of buyers, suppliers, threat of substitutes, barriers to entry and competitive rivalry helps BFB make decisions about markets to enter and reduces risk by considering factors that affect success.	**20**

Question	Answer	Marks
6	**Evaluation** Clear judgements as to the importance of strategic analysis and/or techniques including: • Importance of understanding where the business is now in order to generate ideas and/or support for expansion. • Judgement/evaluation about usefulness of strategic analysis techniques supported by argument. • Elements that the evaluation/judgement might depend on such as: – BFB operate in a dynamic environment so analysis may quickly become outdated. – Subjective nature of SWOT analysis. – An assessment of the importance of timing and a timescale in carrying out analysis. – Subjective interpretation of the models – one manager's opinion of SWOT may be very different to another's. – Critical comments on the techniques. • Evaluation of other factors that influence options such as: – Comments that strategic analysis on its own is not enough to fully support a decision. – Attitude of directors – Attitude to risk • Justification of most useful technique(s) with supporting argument. – Ranking the usefulness of the techniques in relation to expansion plans. – Weighing up importance of other stages in strategic management especially objectives and choice techniques in relation to strategic analysis. **ARA**	

Question	Answer	Marks
7	**Evaluate the usefulness to BFB of focusing only on Force Field Analysis when choosing between strategic options.** **Knowledge** • Meaning of strategic choice as part of strategic management. • Definition and understanding of force field analysis as a technique of strategic choice. • Reference to other strategic choice techniques such as Ansoff Matrix, decision trees and investment appraisal. • Reference to strategic analysis techniques when preparing for choice such as SWOT, PEST, Boston matrix, Porter's 5 Forces, Core competencies and others. **Application** • Use of the techniques/factors for two options – appendix 2. • Ansoff's matrix – Option 1 – diversification. • Option 2 – product development. • Option 2 has higher probability of success. Less risk. • Option 1 has higher ARR – link to shareholder returns. • Option 1 capital cost is $1m greater – link to gearing. • Force field analysis – what is the balance between driving and restraining forces? – Use of these forces in answer such as BFB's lack of experience in accessories market. **Analysis** • How techniques may be used and the advantages and disadvantages. – Force field analysis encourages managers to consider different aspects of a decision. – By identifying restraining forces action can be taken to mitigate negative effects and reduce risk. – Visual summary of factors in a decision. Helps focus attention on the most important forces affecting the decision. Facilitates discussion of these points to enhance decision making. – Forces can be weighted thus improving decision making. – Subjective forces are objectified by giving them a weighting focusing attention on important issues and making it easier to compare force for and against change. • Role of other techniques in decision making that consider the quantitative aspects of the choices. – Use of probabilities in decision trees therefore reducing risk for BFB of option choice. – ARR enables BFB to choose option with highest return which may be important to shareholders. • The use of techniques to analyse aspects of the options.	**20**

Question	Answer	Marks
7	**Evaluation** • Weighting of the driving and restraining forces is subjective. Has Aela manipulated the data to support her preferred option? TT may view choices differently (assuming there is a takeover). Bias and hidden agenda in formulating the analysis. Disagreements about relative importance. • Forces may be missed from the analysis. • Justification of most useful choice technique technique with supporting argument. • Elements that the evaluation/judgement might depend on: – Effective integration of analysis and choice techniques will be important. – Ability of the individual(s) completing the FFA. • Significance of other factors that may also be important: – FFA unlikely to be sufficient to make decision. Needs to be used alongside other choice techniques taking into account both quantitative and qualitative factors. – Impact of management objectives and attitudes. – Availability of finance (these may be included in the FFA). – Other information that could be useful? **ARA**	