Cambridge International A Level

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Cambridge International Advanced Level

BUSINESS **9609/31**

Paper 3 Case Study **May/June 2016**

MARK SCHEME

Maximum Mark: 100

Published

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1 Analyse the benefits to SEL of using social media to communicate with employees and customers. [10]

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks
2	3 marks Knowledge of social media as a means of communication and two benefits	3 marks More than one benefit explained in context	3–4 marks Good use of theory and/or reasoned argument to explain benefits
1	1–2 marks Some knowledge of social media and/or benefits as a means of communication	1–2 marks Some application to case	1–2 marks Some use of theory and/or reasoned argument to explain benefits
0	No creditable content		

Examiner Note**:** Benefits **to** SEL. No reward for disadvantages.

Answers could include:

- Communication – passing of information to a receiver and receiving feedback
- Social media – IT/web based forms of communication
- Quick – as in the case, a response was received quickly
- Messages can be personalised – as with direct mail
- Able to communicate with large number of customers/potential customers
- Helps to portray a modern/youthful image to customers – important for a business with a new technology focus
- Internal company blogs allow effective formal/informal communication between employees
- Important for research based company where formal/hierarchical communication channels would not prompt as much discussion or two-way flow of ideas as IT based methods
- Speed of sending message and receiving reply also important between employees

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2 Discuss whether the Sandson brothers made the correct decision to sell their business to CCP for $35m. [16]

Level	Knowledge 3 marks	Application 3 marks	Analysis 5 marks	Evaluation 5 marks
2	3 marks At least two relevant points made about value of business or assets or other factors	3 marks Application of two or more points to case	4–5 marks Good use of theory to answer question	4–5 marks Good judgement shown
1	1–2 marks One relevant point made about value of business or assets or other factors	1–2 marks Some application to case	1–3 marks Some use of theory to answer question	1–3 marks Some judgement shown
0	No creditable content			

Answers could include:

- Knowledge of accounting terms e.g. ratio results; non-current assets; intangible assets.

Yes:

- More than shareholders' equity – reflecting the under valuation of intangible assets such as the patent on robo-cleaner and other innovative products.
- Much greater than annual operating profit (2016) and it would take years for this level of profit to equal $35m.
- Gives the brothers cash ($17.5m) to invest in new social enterprise project.
- Shares in CCP could rise in value meaning that they receive even more than $35m over time.
- High gearing of SEL and low liquidity suggest that the business was in a potentially risky situation (high R and D costs and operations problems) – so perhaps the brothers would be wise to get out of the business!

No:

- Too rapid – they might sell for more.
- 2015 profit was much higher – if this level of profit can be regained then the $35m will be repaid to CCP in just over two years – are the brothers selling too cheaply?
- Perhaps CCP think the robo-cleaner technology is worth much more than the brothers do – it did cost $28m to develop after all.
- Profits might rise sharply at SEL with robo-cleaner if the brothers could solve the operations problems.
- CCP shares could fall in value so, in effect, the brothers would receive less for the sale of the business.

Evaluation:

- Perhaps they were too keen to accept some cash quickly from CCP without trying to sell to other companies – perhaps, in time, they could have sold for more.
- Not known how keen the brothers were to get out of this industry/market.
- Social enterprise scheme suggests that profit/capital gain is not the most important factor in the brothers' lives.
- The future prospects of SEL are not made entirely clear.

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3 Assume CCP is to begin selling the SEL designed robo-cleaner in your country for the first time. Evaluate a marketing strategy that CCP could use. [16]

Level	Knowledge 3 marks	Application 3 marks	Analysis 5 marks	Evaluation 5 marks
2	3 marks At least two relevant points made about marketing strategy	3 marks Application of two or more points to case or own country	4–5 marks Good use of theory to answer question	4–5 marks Good judgement shown
1	1–2 marks One relevant point made about marketing strategy	1–2 marks Some application to case or own country	1–3 marks Some use of theory to answer question	1–3 marks Some judgement shown
0	No creditable content			

Application can be demonstrated through identifying relevant factors that would influence marketing within own country and/or through relevant use of case material.

Answers could include:

- Marketing strategy – long term plan of action for marketing activities which aim to achieve a long term marketing objective.
- Candidates should apply to own country – allow any potentially relevant points e.g. regarding income levels, competition, population, distribution problems etc.
- Objective needed – high market share or niche product? The design of the product suggests the latter – but candidate's own country might be low income etc.
- Marketing budget needed – should fit in with marketing objective and the size of the potential market in the candidate's own country.
- Marketing mix – price could be high to help repay development costs and establish niche image – but what about competition levels in own country?
- Product – which model should be launched? Market research needed on common floor types in candidate's own country.
- Promotion – should be integrated with the remainder of the marketing mix.
- Place – if online selling to be used, is their adequate transport/courier infrastructure in the candidate's own country?

Evaluation:

- Most important element of the strategy in candidate's own country?
- Need for integration of the strategy aimed at achieving the marketing objective will be crucial.

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4 (a) Refer to Table 2. Calculate for 2014 and 2015:

(i) labour productivity **[max 4]**

$$\text{Labour productivity} = \frac{\text{output in time period}}{\text{number employed}}$$

Both correct **[4]**

One correct **[3]**

Both incorrect calculations but correct data used **[2]**

Formula only **[1]**

2014: 44 000/250 = 176

2015: 44 500/268 = 166.05

(ii) percentage of output rejected **[max 4]**

$$\frac{\text{Number of rejected items in time period}}{\text{Total number produced}} \times 100$$

Both correct **[4]**

One correct **[3]**

Both incorrect calculations but correct data used **[2]**

Formula only **[1]**

2014: (2000/44 000) × 100 = 4.55%

2015: (2200/44 500) × 100 = 4.94%

Accept: 2014 – 42 000/250 = 168 and 2015 – 42 300/268 = 157.84

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(iii) labour turnover. **[max 4]**

$$\text{Labour turnover} = \frac{\text{number of employees leaving in time period}}{\text{total number employed}} \times 100$$

Both correct **[4]**

One correct **[3]**

Both incorrect calculations but correct data used at least once **[2]**

Formula only **[1]**

2014: (55/250) × 100 = 22%

2015: (63/268) × 100 = 23.5%

	2014	2015
Labour productivity	176	166
Proportion of items rejected	4.55%	4.94%
Labour turnover	22%	23.5%

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(b) Discuss the likely effectiveness of <u>two</u> ways that SEL's factory manager could improve workforce performance. [12]

Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
2	2 marks At least two relevant points made about results or workforce performance improvements	2 marks Application of two or more points to case	3–4 marks Good use of theory to answer question	3–4 marks Good judgement shown
1	1 mark One relevant point made about results or workforce performance improvements	1 mark Some application to case	1–2 marks Some use of theory to answer question	1–2 marks Some judgement shown
0	No creditable content			

Answers could include:

- Meaning of workforce performance in terms of labour productivity, labour turnover and quality.
- Identify possible causes of problems e.g. Chris promotes those he likes and he rejects equality & diversity policy.
- More democratic leadership style – encouraging more participation in solving the obvious quality issues (quality circles?).
- Softer HRM – perhaps temporary contracts are used and if more permanent/full time contracts were offered this would improve job security and reduce labour turnover.
- Improve multi-skilling to make workers more flexible and increase job enrichment – this might help to increase productivity which has declined over the period shown.
- Job enlargement (horizontal expansion). Giving more duties to employees.
- Bonus for meeting targets.
- Replace Chris or give him training.
- JIT production.
- TQM.
- Quality Assurance.
- Reference to level of absenteeism: 2014 20 days per worker and 2015 20.15 days
- Other methods are possible – and could be analysed in context.

Evaluation:

- How keen is Chris to change his leadership style or HR strategy?
- More detail needed – why is hard HR used? Has he been instructed to reduce costs?
- Methods might not be effective if workers learn of the takeover and believe that the factory could be closed by CCP.

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5 Recommend to CCP whether it should maintain SEL's level of R&D spending in the future. [14]

Level	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 5 marks
2	2 marks At least two relevant points made about R&D or data	2 marks Application of two or more points to case	4–5 marks Good use of theory to answer question	4–5 marks Good judgement shown
1	1 mark One relevant point made about R&D or data	1 mark Some application to case	1–3 marks Some use of theory to answer question	1–3 marks Some judgement shown
0	No creditable content			

Answers could include:

- R&D is spending on scientific research and technical development of innovative products and processes.
- SEL has highest R&D as % of revenue of all major EU businesses in this market – yet OPM is lowest – could this be due to high cost of R&D or failure to manage operations successfully?
- R&D can lead to reputation for innovation and brand loyalty (examples?) and higher profit margins through premium prices – SEL prices seem to be high yet OPM is low due to other factors – factory problems?
- CCP seem to be successful with minimum R&D – so perhaps spending on innovation is not required for success in this industry, just successful 'copying'.
- DRS seems to achieve good innovation (patents) as well as high OPM, yet HA spends a lot on R&D with little success – suggesting that not all R&D leads to new inventions and innovative products.

Evaluation:

- As CCP bought SEL largely for innovative reputation and intangible property it might seem unwise to cut back on R&D spending.
- However, some cutbacks might be justified if research teams do not produce patented products which can be exploited profitably.

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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			

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6 Evaluate the significance to CCP not undertaking strategic analysis before the decision to take over SEL. [20]

Answers could include:

- Strategic analysis: conducting research into the business environment within which an organisation operates and into the organisation itself to help form future strategies.
- SWOT; PEST; Ansoff; Porter; market research and any other appropriate tools might be suggested.
- CCP's revenue in 2015 was $347m and their operating profit $29.2m. It is a large business but the take-over of SEL still represents a significant strategic decision.
- It seems to have been taken quickly to avoid competitors buying SEL.
- This decision does not appear to have been aided by strategic analysis so it was an instinctive decision.
- This is risky – $35m is more than 1 year's operating profit for CCP.
- Legal environment is changing (e.g. EU laws) and without analysing these a poor decision might result.
- Competition exists – is this growing or weakening? Is SEL's market share rising or falling? Without this analysis, CCP could have bought a business in decline despite the robo-cleaner development.
- Economic environment might change e.g. higher interest rates – how will this affect demand for expensive household appliances such as those made by SEL?
- Internal weakness of the factory management and workforce performance – but perhaps this does not matter if CCP intend to close this factory and make SEL products in their own factories.
- With the brothers going, will this make SEL easier or less easy to manage?
- Other features of SWOT/PEST/Boston etc. might be assessed by candidates in context.

Evaluation:

- Robo-cleaner patent might be worth the purchase price alone – so strategic analysis of other factors unimportant?
- Need to prevent SEL falling into hands of rivals might be most important factor – so intuitive decision was essential.

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7 Evaluate the importance of strategic management to CCP's future success before and after the decision to take over SEL. [20]

Answers could include:

- Strategic management – planning for the future with long term objectives and development of future strategies.
- CCP needs to take some measures to deal with declining profitability and liquidity.

Strategies such as market development will require:

- Strategic analysis – where are we now e.g. SWOT and PEST. This could help to identify the risks associated with the market development strategy and help to influence the decision about future R and D spending.
- Strategic choices made by CCP about SEL's future direction will require the use of specific strategic choice techniques such as decision trees.
- Strategic implementation – putting the chosen strategy into effect and monitoring performance against the long term plan e.g. the market development strategy.

Evaluation:

- Important for long term success but short term/tactical decisions might also be needed if profitability and liquidity of the SEL division continue to fall.
- Strategic management will only be effective if undertaken by effective managers. Is CCP's management capable of clear objective setting and long term planning? The past success and size of the business suggest that they are.
- Strategic management should allow for flexibility in planning e.g. changes in economic environment will affect the success of the robo-cleaner and the market development strategy – plans might need to be changed to allow for these.

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