Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Case Study **May/June 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.

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

Cambridge International is publishing the mark schemes for the May/June 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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[Turn over

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.

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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 impact on Inolla of <u>two</u> changes in the economic environment in country Q.

<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 two changes in economic environment and impact.</td><td>2 marks
Two points applied</td><td>4–5 marks
Good use of theory and/or reasoned argument to explain impact of one or two changes in the economic environment.</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge of one change in economic environment and / or impact.</td><td>1 mark
One point applied</td><td>1–3 marks
Some use of theory and/or reasoned argument to explain impact of one or two changes in the economic environment.</td></tr>
</table>

Knowledge

- Economic environment includes consideration of:
  - Economic growth by changes in real GDP
  - Inflation; a sustained increase in the average price level
  - The unemployment rate; measures the percentage of the labour market without work
  - Interest rates; the cost of borrowing, monetary policy
  - The exchange rate; measures the value of a currency against another currency
- Impact includes consideration of costs, revenue, profit, decisions taken in response to changes.

Application

- Unemployment is low (has decreased to 3.8%) and will impact recruitment of labour. This could be linked to the higher labour turnover Inolla is experiencing.
- Economic growth is forecast to be 5% next three years. Incomes rising, link to premium product of Inolla.
- An increase in interest rates (due to threat of inflation) may impact investment decisions as cost of borrowing is higher. This could be linked to strategic decisions and investment in ERP.
- Cost of importing components and batteries from country P may be affected by the rising value of the currency.
- Pricing of exports affected by appreciation.
- These changes can impact strategic plan to enter the shared micromobility market: exports to other countries

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

Question	Answer	Marks
1	**Analysis** • Recruiting workers will be more difficult due to low unemployment. May force Inolla to offer wages above the minimum wage to prevent high labour turnover and to attract employees as output expands • Expansion plans require financing. With an increase in interest rates it will be less attractive to borrow money as costs will be higher reducing the return on investment. • Economic growth should lead to an increase in demand for electric scooters as Inolla uses premium pricing. Increased demand will lead to higher revenue and potentially higher profits. • Appreciation will reduce cost of batteries from country P and thus reduce costs allowing a higher profit margin. Cheaper for Inolla to import components. • Appreciation will make it more expensive for importers to purchase scooters from Inolla and therefore reduce export sales. **ARA**	

Question	Answer	Marks
2(a)(i)	**Refer to Table 1. Calculate for 2020:** **labour turnover** (Number of employees leaving / average number of employees) × 100 (1) 2020 labour turnover = 12 / 40 × 100 (2) 30% OR 30 (3) Other answers 2019 labour turnover = 20% OR 20 (2)	**3**
2(a)(ii)	**labour productivity** Labour productivity = Annual output / Employees (1 mark if no relevant calculation) Annual output = 6000 × 12 = 72 000 (1) 2020 labour productivity = 72 000 / 40 (2) = 1800 (3) Alternatively: Monthly labour productivity = 6000/ 40 (1) = 150 (2) 150 × 12 = 1800 (3)	**3**

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

You may refer to your answer to 2(a) and other information. Assess the effectiveness of Inolla's approach to human resource management (HRM).

<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 which includes knowledge of impact of Inolla's approach and/or approaches to HRM</td><td>2 marks
Two points applied</td><td>3–4 marks
Good use of theory and/or reasoned argument to analyse approach</td><td>3–4 marks
Good judgement shown, e.g. well supported conclusion</td></tr>
<tr><td>1</td><td>1 mark
Knowledge of role of HRM or approaches to HRM or impact of Inolla's approach</td><td>1 mark
One point applied</td><td>1–2 marks
Some use of theory and/or reasoned argument to analyse approach</td><td>1–2 marks
Some judgement shown, e.g. one factor very important</td></tr>
</table>

Knowledge
- Identification of role of HRM and objectives (1 mark max)
  - Recruitment & selection
  - Appraisal of employees
  - Workforce planning
  - Training
- Distinction between hard and soft HRM
  - Hard - treating employees as a cost, autocratic leadership.
  - Soft – focus on training and development, democratic style of leadership, empowerment.
- Knowledge of Taylor, Mayo and Herzberg et al and approaches to managing human resources.
- Knowledge of measuring effectiveness such as absenteeism rates and labour turnover.

Application
Use of results to **2(a)** / case study information. (OFR applies)
- Productivity has decreased by 200 scooters per employee.
- Labour turnover has increased from 20% to 30%
- Lack of flexibility in shift patterns.
- Weekly production targets given.
- No union allowed to negotiate on behalf of employees.
- Absenteeism has increased. Total days lost in 2020 is 320.
- Link to use of quality control inspectors and the battery fires.
- Training in one specific skill

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

Question	Answer	Marks
2(b)	**Analysis** Hard approach to managing employees may negatively impact Inolla: • Alienate some employees and this may explain why labour turnover has increased. • Increased labour turnover may disrupt production, and this could be why productivity has fallen. • New employees take time to recruit and train and therefore this reduces productivity and increases unit costs. • Failure to recognise union could cause conflict with employees resulting in disruption to production. This could affect customer satisfaction and therefore sales could decrease. • Unions could be used to drive productivity agreements and thus reduce costs. • Unions could provide a means of communicating effectively with employees and this helps achieve objectives such as increasing productivity. • More extensive training could make employees more flexible and therefore Inolla could be more responsive to customer demands. • Empowering employees may increase motivation and help assure quality, improving Inolla's brand reputation and increasing sales. • Training in one specific skill may impact flexibility of workforce Benefits of hard HRM may include: • Controls costs by only paying minimum wage which increases Inolla's competitiveness. • Recognising trade union could drive up costs making the electric scooters more expensive or reducing profit margins. • Minimises training costs leaving more cash available for alternative uses such as marketing. • Some employees will respond positively to being given direct orders and supervision increasing • Better control of employees as more closely supervised. • Decisions may be made more quickly making Inolla more responsive to changes **Evaluation** • Elements that the evaluation/judgement might depend on: – Given the economic situation employees can easily find other employment so this would suggest that Inolla should take a softer approach to human resource. – Premium prices require a product that meets quality standards. Will a hard approach ensure this cost effectively as quality inspectors required and employees not given responsibility? – Extent to which hard approach reduces costs and importance of controlling costs to competitiveness. • Other factors that might have contributed to the declining workforce performance. Is Li-chun correct in terms of cause and effect? – Is it Neten that is the problem rather than the hard approach – Is labour turnover due to economic growth providing more opportunities for workers. **ARA**	

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

Evaluate whether Inolla will need to change its marketing strategy to increase sales to businesses that rent out scooters in the shared micromobility market.

<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 points applied</td><td>4–6 marks
Good use of theory and/or reasoned argument to explain need for a change to marketing strategy</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 need for a change to marketing strategy</td><td>1–3 marks
Some judgement shown</td></tr>
</table>

Knowledge
- Marketing strategy includes marketing objectives, budget and a coordinated marketing mix. (max 1 mark for identifying elements)
- Understanding of different techniques within the marketing mix such as different forms of promotion and pricing
- Difference between B2B (a business selling to other businesses) and B2C (a business selling to consumers)
- Market research to understand the market

Application
- Selling to shared micromobility businesses is B2B.
- Scooters will need to be more durable for the B2B market than for selling direct to consumers.
- Businesses will purchase in high volumes and price will be important.
- Some businesses produce their own scooters.
- Competition is likely to be significant – larger firms with economies of scale exist. Comment on existing approach – viral marketing, social media and advertising buses and trains, premium prices less likely to appeal to business customers.
- Product changes might include offering servicing (maintenance)of scooters.

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

Question	Answer	Marks
3	**Analysis** Chains of reasoning highlighting likely elements of marketing strategy: • Price more important and clear pricing strategy required that is competitive and identifies not only the upfront cost but also costs of servicing if required. • Promotion more likely to include trade shows, email marketing, trade (industry) press, website, production of brochures for potential customers. • Salespeople may be important for building trust and motivating companies to buy. • B2B marketers must persuade decision makers of a company therefore information must be concise and clear. **Evaluation** • Identification of most important element of marketing strategy and justification. – Need for servicing of scooters? – Businesses less likely to be influenced by persuasive advertising. More interested in information. – Need for market research prior to the marketing strategy as this is a new market. – Need to continue with existing marketing strategy as higher demand from consumers will increase pressure on business customers to purchase from Inolla. – The extent to which the strategy needs to change. Some elements may be retained others changed. • Marketing budget may be constrained by the cash outflows associated with increasing output if extension or new factory is built. **ARA**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)(i)</td><td>
Refer to lines 71-74 and Table 2. Calculate the:

accounting rate of return (ARR)
<table>
<tr><th>Rationale</th><th>Content</th><th>Marks</th></tr>
<tr><td>Correct answer with or without units.
Working not required
Alternative formula</td><td>27.5% OR 28%

55% OR 56%</td><td>4</td></tr>
<tr><td>Correct working without answer
OR
Annual profit (units not necessary)
OR OFR based on error in ARR calculation:
- original investment not deducted

- profit not divided by 6</td><td>ARR = 275 000 / 1 000 000 × 100

1.65 m / 6 = 0.275 m OR
0.28 m
OR 275 000

0.442 / 1 × 100 = 44.2% OR
0.442 / 0.5 × 100 = 88.4%

1.65 / 1.0 × 100 = 165% OR
1.65 / 0.5 × 100 = 330%</td><td>3</td></tr>
<tr><td>Profit
OR OFR for annual profit
- original investment not deducted
OR OFR based on error in ARR calculation:
- original investment not deducted and not divided by 6</td><td>2.65 m – 1.0 m = 1.65 m

2.65 m / 6 = 0.442 m

2.65 / 1.0 × 100 = 265% OR
2.65 / 0.5 × 100 = 530%</td><td>2</td></tr>
<tr><td>Total cash inflows
OR Correct formula</td><td>2.65 m
(annual profit / capital cost) × 100
OR
(annual profit / average investment) × 100</td><td>1</td></tr>
<tr><td>No creditable content</td><td></td><td>0</td></tr>
</table>
OFR
</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)(ii)</td><td>
payback

300 000 / 450 000 × 12 (2)

= 8 months (3)

Payback = 2 years 8 months (4) or 2.67 years (4) or 2.7 years (4)
2 years 232 – 248 days (4)

2.8 (3)

<table>
<tr><th>Year</th><th>Cash flow</th><th>Cumulative cash flow</th></tr>
<tr><td>0</td><td>(1 000 000)</td><td>(1 000 000)</td></tr>
<tr><td>1</td><td>300</td><td>(700 000)</td></tr>
<tr><td>2</td><td>400</td><td>(300 000)</td></tr>
<tr><td>3</td><td>450</td><td>150 000</td></tr>
<tr><td>4</td><td>500</td><td>650 000</td></tr>
<tr><td>5</td><td>500</td><td>1 150 000</td></tr>
<tr><td>6</td><td>500</td><td>1 650 000</td></tr>
</table>
1 mark for
Accurate cumulative cash flow for first year or more.
OR
Payback is in the 3rd year.
</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 to 4(a) and other information. Recommend whether Inolla should invest in enterprise resource planning (ERP). 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 made</td><td>2 marks
Two points applied</td><td>3–4 marks
Good use of theory and/or reasoned argument</td><td>3–4 marks
Good judgement shown e.g. well supported conclusion</td></tr>
<tr><td>1</td><td>1 mark
Knowledge shown of ERP or factor in decision</td><td>1 mark
One point applied</td><td>1–2 marks
Some use of theory and/or reasoned argument</td><td>1–2 marks
Some judgement shown</td></tr>
</table>

OFR

Knowledge
- Definition of ERP: the use of a computer application to plan the purchase and use of resources in an organisation to improve efficiency. Part of supply chain management.
- Benefits of ERP
  - Helps with inventory control
  - Reduces costs of operations
  - Links information between departments
  - Choosing best suppliers and most cost-effective suppliers and supporting JIT manufacturing
  - Allocating jobs to appropriate production employees
- Other factors in decision
  - Cost
  - Availability of finance
  - Impact on employees
  - ARR and Payback results

Application
- Weakness of Inolla is low inventory turnover.
- High cost of holding inventory of batteries etc
- Payback within 3 years. Relatively quick as the ERP system has a 6 year life.
- ARR is high at 27.5%
- NPV data $1.141m

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

Question	Answer	Marks
4(b)	**Analysis** • ERP will support introduction of JIT which will reduce costs of stockholding. • May enable increase to capacity as less inventory will be held. This will facilitate meeting increasing demand for scooters. • ERP is costly and high gearing of Inolla increases risk of further borrowing. This may result in cash flow problems for Inolla if increased savings take time to be realised. • Employee training to deal with computer systems will be a cost (but should be included in the net cost savings data). • ERP provides more effective sharing of information between departments which can lead to a more integrated approach to achieving Inolla's objectives. • Introducing ERP may cause disruption to production in the short-term reducing output whilst it is installed. **Evaluation** • Cost savings are estimates made by the ERP specialist. Can these figures be trusted as specialist will wish to sell to Inolla? • If ERP used to reduce inventory holding and costs, then success depends in part on the reliability of battery suppliers in country P to deliver on time. • Other factors to consider e.g. – NPV or IRR as this considers time value of money. – Depends on availability of finance linked to high gearing and likely increase in interest rates. – How long will it take to implement the ERP system? – Resistance to change from employees. – Will specialist IT employees be required and how expensive is that? • There are other ways to increase efficiency such as Quality Circles and Kaizen	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate whether Inolla should subcontract production of electric scooters to solve the problem of insufficient capacity.

<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 points applied</td><td>4–6 marks
Good use of theory and/or reasoned argument</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</td><td>1–3 marks
Some judgement shown</td></tr>
</table>

Knowledge
- Definition of subcontracting: contracting a second business to fulfil part or all of the output / function / service.
- Definition of capacity / capacity constraint / capacity utilisation

Understanding of possible factors to consider:
- Flexibility of using a subcontractor.
- Issues relating to control of quality when using a subcontractor.
- Short term cost savings compared to expansion.

Knowledge of other ways of increasing production such as:
- Increasing productivity of employees through training
- Extending existing factory
- Building a new factory

Application
Use of case information:
- Avoids cost of building a factory extension or going public.
- High gearing of Inolla.
- 400% increase in demand.
- Subcontractor in country P with sufficient capacity.
- Subcontractor has a good reputation for quality and already supplies a competitor.
- Subcontractor had recent negative publicity for poor working conditions in the factory.
- Use of ERP to increase capacity.

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

Question	Answer	Marks
5	**Analysis** • Subcontracting can be flexible as Inolla can increase/decrease orders according to demand. • Loss of control over quality could result in reputation damage if scooters do not meet quality standards thus reducing sales • Subcontractor may benefit from economies of scale and therefore have lower prices thus enabling Inolla to make greater profit • Subcontractor has to make a profit. This could result in a higher price per unit to Inolla. • Subcontracting will be quicker than building a factory in country P enabling Inolla to increase output and meet customer demands in a shorter time frame. • Factory would retain more control over output and quality which is important to their brand image. • Factory would require conversion to plc and this would reduce the control that Li-chun has over the business. **Evaluation** • Subcontracting would reduce risk as there is no guarantee that their move into the shared micromobility market will be successful. • Attitude of Li-chun to taking Inolla public. Risk to her control of the business and possibility of a hostile takeover. • Depends on the terms of the contract as to how flexible subcontracting is to Inolla. • How important is the negative publicity regarding the poor working conditions with the subcontractor. Price may be more important to business customers. • Significance of the subcontractor supplying their competitor. • Reliability of the subcontractor • If subcontractor has sufficient capacity to meet Inolla's order does this suggest that the business has a problem? Inolla may be able to achieve a lower contract price. • Factory may be cheaper in the long term • Most important factor with justification **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 usefulness of strategic analysis techniques in identifying future growth strategies for Inolla.** **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 techniques in strategic management • Identification of weaknesses / strengths of the techniques • Need to understand the external environment – requiring a detailed PEST analysis **Application** Application requires more than repeating the information from Tables 3 and 4. Candidates must actively use the information in developing their answer. • SWOT was completed in 2018 – 3 years ago. It is out of date. • Use of information from Table 3 linked to future growth. • Use of information from Table 4 linked to future growth. – Information covers the shared micromobility market • Accuracy of 2018 SWOT in relation to current situation e.g. issue of quality control and battery fires • Link between SA and introduction of ERP • Core competencies – design **Analysis** • Analysis of how changes identified might guide strategic decisions – Focus on strengths will reduce risk to the business – Identification of weaknesses that need to be addressed when making decisions or alternatives sought e.g. financing – Anticipating changes to the external environment will enable Inolla to take decisions to reduce risk and take advantage of opportunities • SA will help reduce the risk of decisions taken by Inolla as it will help Inolla 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 Inolla 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 Inolla 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: – Strategic analysis needs to be reviewed regularly. It appears that Inolla has been slow to use the analysis originally completed – Inolla operates 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.	

Question	Answer	Marks
7	**Evaluate the significance of corporate planning in reducing risk as Inolla continues to grow.** **Knowledge** • Business Plan: A written document that describes a business, its objectives and its strategies, the market it is in and its financial forecasts. • Corporate Plan: This is a methodical plan containing details of the organisation's central objectives and the strategies to be followed to achieve them. • A business / corporate plan: – Gives direction to the business. The plan provides Inolla directors with a clear focus for what the company should be trying to achieve in the medium term. – Helps motivate staff. It provides a sense of purpose. – Enables planning at different levels of the business and ensures all staff are working towards the same goals. – Acts as a means for control and review. Actual outcomes can be compared with the objectives set and the performance of Inolla can be assessed. – Helps ensure that resources are used effectively and that all departments are working together. • The planning process itself is useful. It encourages directors and managers to consider the current situation of the firm and to set objectives accordingly. • Corporate plans will include techniques of strategic analysis such as SWOT and Porter's Five Forces • How dynamic markets may undermine plans • Potential link between profitability and having clear business plans • Provides clear focus to senior managers. • Enables control and review process. • Of interest to potential investors and staff. • Corporate plan provides clear objectives to then use in setting objectives at departmental and individual level through MBO **Application** • Li-chun's research into solutions to problems faced in commuting before setting up Inolla as part of business planning to identify a gap in the market. • Market research into shared micromobility market as part of business planning • Operations close to capacity; planning necessary for subcontracting or expansion. • Lack of a contingency plan for the battery fires? • Planning for introducing ERP • Evidence of some strategic analysis as part of planning process in choosing growth strategies – SWOT 2018 and Porter's Five Forces analysis. • Cost to Inolla of commissioning the Porter's Five Forces analysis • Need for a plan if Inolla goes public to generate investor interest. • Business planning and the competitive nature of the micromobility market • Need for planning including marketing strategy for entry into micromobiliity market.	**20**

Question	Answer	Marks
7	**Analysis** • Contingency planning could have helped minimise the damage to Inolla of battery fires. • Planning necessary to deal with the problem of insufficient capacity. This needs to be done in advance to meet the increasing demand for Inolla's scooters and avoid negative publicity / dissatisfied customers. • Planning helps reduce risk by anticipating changes in the market and preparing the business for the future. Without a plan Inolla will lack direction and objectives to target. • Planning helps control expenditure and therefore reduces risk of cashflow problems. • Strategic decisions affect all parts of the organisation, so planning is important to coordinate activities. • Planning is time-consuming and can be expensive, the more detail the greater the time and cost. • SWOT analysis / Porter's Five Forces and links to effective decision-making regarding expansion. Analysis will reduce risk to Inolla in its decision making and thus help to ensure profitability. **Evaluation** • The business environment is dynamic and there can be unexpected internal and external events. Thus, business planning cannot eliminate risk only reduce it. • Contingency planning necessary to deal with the unexpected but can be expensive. • Reliability of information – how much is spent on market research/data gathering and how relevant is it? Interpretation of information used in planning can be influenced by skills and training of leadership. • Monitoring and review essential to ensure costs are not increasing in this rapidly changing market.	

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