Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Case Study **May/June 2022**

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 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **25** printed pages.

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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.

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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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PREPARATION FOR MARKING

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS

Crossed out work

1 All of a candidate's answers, *crossed out* or not, *optional* or not, must be marked.
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
2 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

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Paper 3 Specific Marking Guidance

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Handwriting and use of English language are not to be assessed.
- A response consisting of a list should be assessed. It is unlikely that such a response will score highly in the levels in each Assessment Objective.
- If a response does not fit in the space provided it should be assessed as if it did whether it is shorted, or longer and a continuation sheet is used.
- The main RM Assessor annotations to be used are K (Knowledge), APP (Application), AN (Analysis), EVAL (Evaluation).
- For each of these four annotations, the number of marks awarded must match the number of times that annotation is on the response.
- Only award EVAL if the candidate has also demonstrated APP.
- Application marks are not awarded for repeating material from the case study. Application is achieved by answering in the context of the case or by using the information in the case to help answer the question.
- In Section B, candidates answer either **Question 6** or **Question 7**. The Section B question that the candidate does not answer must be entered as 'no response'.

This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer and the senior examiners should be consulted if further guidance is required.

Application marks are not awarded for repeating material from the case study. Application is by answering in the context of the case or by using the information in the case to help answer the question.

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

Analyse <u>two</u> possible benefits to WTZ of introducing Kaizen.

<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
Good knowledge of Kaizen and one or two benefits</td><td>2 marks
Two points applied to WTZ</td><td>4–5 marks
Good use of theory and/or reasoned argument to explain benefit(s)</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge of Kaizen and / OR knowledge of kaizen and one benefit</td><td>1 mark
One point applied to WTZ</td><td>1–3 marks
Some use of theory and/or reasoned argument to explain benefit(s)</td></tr>
</table>

Notes:
- **Repeating text from the case study is not application.**
- **Question is about benefits to WTZ. No marks for drawbacks.**
- **Level 1 all skills if good knowledge of Kaizen not demonstrated**

Knowledge
Definition of Kaizen: continuous improvement based on worker group discussion. [reward even though clearly signposted in case]

Good knowledge
- Kaizen includes teamworking through kaizen groups (or quality circles) with each group given the power to take decisions.
- Kaizen is based on making incremental (small) changes to improve quality or efficiency.

Benefits
- Reduction in absenteeism.
- Increased employee motivation.
- Increase in productivity.
- Reduction in proportion of output rejected.
- Improvement in quality

Application
- Amandi's focus is on minimising costs. Kaizen could help meet this objective.
- Increasing absenteeism will increase costs.
- 5% of output is rejected increasing costs.
- Collection of recycled materials is inefficient.
- High inventory levels increase costs.
- Training will increase employee skills.

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

Question	Answer	Marks
1	**Analysis** Building chains of arguments linked to Knowledge and Application points raised above. • Knowledge of workforce can be linked to find solutions to the problems faced at the Hydrocamel factory. This could result in an increase in productivity which would reduce unit costs of production. • Employees may be motivated by the increased responsibility (Herzberg) associated with Kaizen resulting in a reduction in labour turnover and a reduction in recruitment costs. Therefore, profits would increase. • A reduction in faulty products would cut costs and ensure customers are satisfied leading to higher sales. • Increased responsibility at work will enhance employee satisfaction and may result in lower rates of absenteeism. Therefore, there will be an increase in output and less disruption to production and less pressure on other employees due to absences. • Kaizen empowers workers and results in the quick introduction of new ideas and motivates employees to come up with more ideas. ARA	

Question	Answer	Marks
2(a)	**Refer to lines 71–74. Calculate the:**	
2(a)(i)	**cross elasticity of demand of the Hydrocamel following the price reduction of the Hippo Barrel** XED = % change in quantity of good A / % change in price of good B (1 mark if no relevant calculation) XED = -8 / –20 (1) allow 8 / 20 (1) XED = 0.4 (2) Other answers –0.4 (1)	**2**

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

annual revenue of the Hydrocamel if its price is reduced by 10%.

<table>
<tr><th>Rationale</th><th>Content</th><th>Marks</th></tr>
<tr><td>Correct answer with or without units. Working not required.</td><td>$5 644 800</td><td>5</td></tr>
<tr><td>Correct working for calculating revenue. Correct Qd × correct price.</td><td>44 800 × 126</td><td>4</td></tr>
<tr><td>New quantity demanded following price change</td><td>44 800</td><td>2</td></tr>
<tr><td>Percentage change in demand following price change</td><td>12(%)</td><td>1</td></tr>
<tr><td>Price after 10% reduction OR relevant formula(e)</td><td>($)126</td><td>1</td></tr>
<tr><td>Relevant formulae if no relevant calculation</td><td>PED OR Revenue</td><td>1 max</td></tr>
<tr><td>No creditable content</td><td></td><td>0</td></tr>
</table>

Content
Revenue = price × quantity (1 mark if no relevant calculation)

PED = % change quantity **/** % change price
Or % change in quantity = PED × % change in price (1 mark if no relevant calculation)

New price is: 140 – 10% = ($)126 (1)

% change in quantity given that PED = –1.2 is:

–1.2 × –10 = 12% (1)

new quantity = 40 000 × 1.12 = 44 800 (2)

revenue = 44 800 × 126 (4)

= $5 644 800 OR 5 644 800 (5)

126 × 40 000 = ($)5 040 000 (3)

126 × 50 000 = ($)6 300 000 (3)

Answer based on 126 × by any quantity = (3) [on basis that calculating quantity correctly was awarded 2 marks]
OFR

</td><td>5</td></tr>
</table>

<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. Evaluate the usefulness to WTZ of elasticity data when planning its marketing strategy.

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

Note:
If there is no knowledge of elasticity then limit marks to K and APP only. (Maximum of 4 marks)

Knowledge
Definition of elasticity
- Elasticity measures the responsiveness of Qd or Qs to a change in one of its determinants.
  - PED measures responsiveness of Qd to change in price.
  - XED measures responsiveness of Qd to change in price of another product.
  - PrED measure responsiveness of Qd to change in promotional spending.
- Definition of marketing strategy: coordinated marketing mix to achieve marketing objectives. Includes 4Ps and marketing budget.

Application
- Competition from Hippo Barrel which is $20 cheaper than the Hydrocamel.
- Demand estimated to be price elastic –1.2 i.e. sensitive to change in price
- Cross price elasticity is inelastic 0.4 (i.e. goods are substitutes)
- Use of answer to Q2(a) (OFR)
  - Revenue without price reduction would be $5.6m.
  - Increase in revenue of $44 800.
  - New price of $126.
- Promotional elasticity estimated to be elastic/responsive 1.3.
- Promotional elasticity linked to changing current promotional budget of $10 000.
- Comment on current promotion through specialist magazines and direct selling.

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

Question	Answer	Marks
2(b)	**Analysis** • Reducing price will result in an increase in quantity demanded if estimate of PED is correct and therefore revenue will increase. • PED suggests that, other things being equal, a decrease in price will result in a marginal increase in revenue. This can be used to help make pricing decisions as it will help to demonstrate whether profit will also increase. • XED indicates that demand for Hydrocamel is not sensitive to change in price of competitor product, so WTZ has some control over pricing. • PrED is elastic, therefore an increase in promotional expenditure will lead to a more than proportionate increase in revenue, suggesting that greater advertising is worthwhile. • 20.83% reduction in price is required to achieve sales of 50 000 units, assuming that PED is –1.2 • 19.2% increase in promotion could raise sales to 50 000 units assuming PrED is 1.3. This would only be an extra $1923 of promotional spending. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Judgement of the usefulness of elasticity to marketing planning. • Elements that the evaluation/judgement might depend on: – Decisions of competitors will affect the impact of any price change made by WTZ. – Accuracy of the elasticity estimates. • Significance of other factors that may also influence the marketing strategy such as operations and human resource. • Marketing strategy depends on effective market research to identify needs of customers and determine how best to appeal to them.	

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

Evaluate the likely impact on WTZ's future profitability of increased focus on corporate social responsibility (CSR).

<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 or more relevant points</td><td>2 marks
Two points applied to WTZ</td><td>4–6 marks
Good use of theory and/or reasoned argument to answer question</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to WTZ</td><td>1–3 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–3 marks
Some judgement shown</td></tr>
</table>

Knowledge
Definition of corporate social responsibility (CSR): where a firm considers the impact of its decisions on society and the environment.
- Treatment of employees
- Environmental responsibility e.g. pollution
- Ethical supply chains
- Accounting practices
- Role of triple bottom line
- Role of social audits

Understanding of profitability – relationship between profit and sales or capital employed. It is a measure of efficiency.

Possible impact of increased focus on CSR on WTZ:
- Brand loyalty develops
- Increased sales
- Employee retention and recruitment improved
- Costs of adopting CSR goals e.g. higher wages,

Application
Making use of case information:
- Minimum wage paid to employees
- Increasing absenteeism in Hydrocamel factory
- Core activities benefit the environment already
- Contracts with charities
- Increasing social awareness shown in PEST analysis

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

Question	Answer	Marks
3	**Analysis** • Benefits of using environmental credentials in marketing of the business to build positive publicity and gain sales. This could result in higher revenues and profit. • Using recycled plastics to make Hydrocamel could be a USP to promote sales to charities enabling WTZ to deal with challenge of Hippo Barrel. • Changing working conditions and treatment of employees may be expensive e.g. paying above minimum wage. This could result in higher prices and customers looking elsewhere for materials and products. • Improved treatment of workers could result in higher productivity and a reduction in absenteeism and labour turnover so costs might be reduced resulting in higher profitability. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Change in culture toward employees might be required to avoid accusations of selective use of CSR. • Does CSR matter to customers of the recycled materials? Cost may be more important. • Developments in technology offer opportunity for WTZ to act more responsibly without an overall increase in costs. • Has to be genuine CSR not 'greenwash'. Potential backlash if WTZ operations do not match claims. • Significance of competitors' strategy towards CSR – if competitors are not embracing CSR this could put WTZ at a price disadvantage. • Need to communicate CSR through social/environmental audits so that customers are aware of the increased focus. • Profitability is a relative concept whereas profit is an absolute concept. An increased focus on CSR could increase profit without increasing profitability. • WTZ might have more important problems to focus on in the short term such as quality standards or how to respond to competition.	

Question	Answer	Marks
4(a)	**Refer to Table 1 and Table 2. Calculate for 2022 the:**	
4(a)(i)	**gearing ratio** Non-current liabilities **/** (Shareholder Equity + NCL) × 100 OR Debt **/** (Debt + equity) × 100 OR Long term liabilities **/** capital employed × 100 (1 mark if no relevant calculation) Capital employed = Shareholder equity + NCL = 4 + 4 +14 = ($)22(m) (1) Gearing = 14 / 22 × 100 (2) Gearing = 63.6% OR 63.6 OR 64 (allow 63) (3) If wrong year: 2021 = 56.2% OR 56.2 OR 56 (2) OR Long term liabilities **/** equity × 100 (1 mark if no relevant calculation) (Accept equivalent variations of this equation) Gearing = 14 / 8 × 100 (2) Gearing = 175% OR 175 (3) If wrong year: 2021 = 128% OR 128 (2) Other likely answers 14 / 18 × 100 = 77.7 OR 77.8 OR 78 (%) (2) Answer based on 14 **/** any number × 100 e.g.14 / 28 × 100 = 50 (2) As long as gearing equation is correctly stated. **OFR**	**3**
4(a)(ii)	**dividend yield** dividend yield = dividend per share **/** market share price × 100 (1 mark if no relevant calculation) Dividend per share = 4.8 / 8 = ($)0.60 per share (1) OR DY = 0.6 / 3 × 100 (1) DY = 20% OR 20 (2) 2021: Award 1 mark for DY = 4.4 / 8 / 3 × 100 = 0.55 / 3 × 100 18.3% OR 18.3 (although share price not known for 2021)	**2**

Question	Answer	Marks
4(a)(iii)	**profit margin** profit margin = profit **/** revenue × 100 (1 mark if no relevant calculation) PM = 5.6 / 60 × 100 (1) PM = 9.3% OR 9.3 (2) If answer given for 2021: 12.8% OR 12.8 (1)	**2**

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

You may refer to your answer to 4(a) and other information. Evaluate the usefulness to WTZ's Board of Directors of ratio analysis when choosing a suitable source of finance for further growth.

<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 or more relevant points made</td><td>2 marks
Two points applied to WTZ</td><td>3–4 marks
Good use of theory and/or reasoned argument to answer question</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 made</td><td>1 mark
One point applied to WTZ</td><td>1–2 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–2 marks
Some judgement shown</td></tr>
</table>

Note:
If there is no knowledge of ratio analysis then limit marks to K and APP only. (Maximum of 4 marks)

Knowledge
- Ratios help identify the financial health of the business
- Understanding of ratios
  - Gearing – proportion of capital financed by debt
  - Dividend yield – how much a company pays out in dividends relative to its share price
  - Profit margin – measures a company's earnings relative to revenue
  - Current/acid test – measure of liquidity
- Understanding of sources of finance
  - From working capital
  - Loans – debt finance with interest
  - Share capital – selling shares to shareholders
  - Retained profit – internal source of finance from profit not paid in tax or distributed to shareholders

Application
Using case information or calculations:
- Current gearing is high - above 50%. Link to expansion plans
- Further borrowing for expansion and predicted decrease in interest rates
- There are 12m unissued shares, current share price is $3. Could raise around $36m

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

Question	Answer	Marks
4(b)	• Profit margin has decreased from 12.8% to 9.3% • Link to Dividend per share is $0.60 • Use of DY is 20% • Use of Current ratio = 2021 = 5.1 / 3.6 = 1.42: 1, 2022 = 5.8/4.2 = 1.38: 1 • Use of Acid test ratio = 2021 = 1.9 /3.6 = 0.53: 1, 2022 = 1.8/4.2 = 0.43: 1 • Linking to options for growth – Purchase Lacpac – Expansion into country S by building a factory and contracts • Reference to Amandi currently having a controlling stake in the business **Analysis** • Gearing high so expansion funded by borrowing would potentially be difficult as banks may consider the business too risky. • High gearing means that successful expansion financed by further debt can produce significant increase in returns to shareholders. • Issuing shares would impact control of the business and reduce Amandi's influence. • High dividend yield would be attractive to potential shareholders making a share issue successful. • Profit margin has fallen making the business less attractive to invest in. • Growth of business over time may make investment attractive to either shareholders or financial institutions. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • A judgement of the usefulness of ratio analysis to the choice of finance. • Evaluation of other factors that influence choice of finance such as: – The business's attitude toward risk – Desire of Amandi to retain control may be crucial – Interest rate on debt finance – Cost of issuing shares • Elements that the judgement of usefulness might depend on such as: – The reliability of the figures – Historical figures – Trend analysis of ratio results.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Recommend appropriate changes to WTZ’s organisational structure to ‘support growth and drive innovation’ (line 89). Justify your recommendation.
<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 or more relevant points made</td><td>2 marks
Two points applied to WTZ</td><td>4–6 marks
Good use of theory and/or reasoned argument to answer question</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to WTZ</td><td>1–3 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–3 marks
Some judgement shown</td></tr>
</table>
Note:
Answers which just discuss leadership style should not be rewarded

Knowledge
Definition of organisational structure: the internal, formal framework of a business that shows the way in which management is linked together, and how authority is passed through the organisation.
• Span of control – number of subordinates reporting to each more senior manager, levels of hierarchy
• Impacts communication – more hierarchical structure may suggest that communication is one-way and top-down.
• Formal and informal
• Delegation – passing authority down the organisational hierarchy
• Centralised – keeping all important decision making powers with head office
• Decentralised - decision making powers passed down the hierarchy to empower subordinates and area or product managers

Knowledge of different structures:
• Functional - departments have clearly defined roles in a specialist area such as marketing
• Hierarchical – consisting of multiple levels in which all members of the organisation, apart from one, are subordinate to someone else.
• Matrix – structure that creates project teams that cut across traditional functional departments
• Divisional – structure that organises activities around geographical areas or product groups
</td><td>16</td></tr>
</table>

Question	Answer	Marks
5	**Application** • Diversified nature of WTZ and possible link to product-based structure or geographic-based structure • WTZ has a hierarchical structure and therefore probably a tall structure • Difficulty of exerting control for directors as the business grows • Current structure as a weakness • Current hierarchical structure with functional areas of operations, human resources, marketing and finance • Innovations such as Hydrocamel and bricks made from waste plastic and rubber at WTZ and link to structure • Expansion abroad and link to structure • Possible takeover of Lacpac and previous takeover of MR **Analysis** • Matrix structure bringing different functions together for individual projects could be beneficial for innovation as with the Hydrocamel and recycled bricks. • Structure by product could enable more targeted marketing to occur increasing sales ensuring strategy is developed by those with strong product knowledge. • Hierarchical/tall structure keeps control at the top, meeting objectives of Amandi. Enables consistent approach across the business so maintaining brand image. • Structure based on geography could bring benefits as WTZ expands abroad. Might enable decisions to reflect local/national differences so meeting needs of customers more effectively and resulting in increased sales. • Flatter structure might promote greater delegation and empower employees resulting in a more innovative culture. • Delegation empowers employees and may increase motivation resulting in higher productivity. • Decentralisation passes decision-making powers down the hierarchy to area or product managers and could lead to WTZ being more responsive to customer needs and increase sales. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • A judgement about the most appropriate structure with supporting evidence. • Evaluation of the relative benefits/limitations of different structures • Elements that the judgement may depend on such as: – Difficulty of changing structure as it may also require a change in culture. – Attitude of directors such as Amandi. – Reaction of employees. – Key influence. • Importance of other factors driving growth and innovation such as culture. • Make no changes as the business has been innovative and successful as it is.	

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 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 to WTZ of external environment analysis (PEST) as a framework to develop business strategy.** **Note:** **If there is no reference to or knowledge of PEST analysis then limit to K 2 APP 2 AN 0 EVAL 0 for other points related to strategic analysis as a framework for developing business strategy.** **Knowledge** • PEST – Political, Economic, Social and Technological [reward even though clearly signposted in case] • Understanding of different elements of PEST: – Political – laws and regulation – Economic – factors influencing demand and macroeconomic environment – Social – demographic change – Technological – advances in automation • Identification of PEST analysis as a strategic analysis tool. • Strategic analysis is the first stage in strategic management answering the question, where are we now? • Need to understand the external environment – requiring a detailed PEST analysis. • Understanding of business strategy – outlines a plan of action to achieve the vision and set objectives of an organisation and guides decision-making processes. • Role of objectives in developing business strategy. • Explanation of other strategic analysis techniques – SWOT, Porter's Five Forces, Boston Matrix, core competencies. **Application** • WTZ appears to have objective to expand given its history and the growth strategies being considered. • Core competency of WTZ is recycling waste materials links to Option 2. • PEST applied to WTZ – making use of information in Appendix 1 to illustrate usefulness of PEST. – Political - increased regulation provides opportunities and threats to WTZ's core business. Link to potential takeover of Lacpac. – Economic - economic growth in country R is stable and high, giving opportunities for further expansion decisions. – Economic - interest rates set to decrease and link to financing decisions. – Social – increasing interest in environmental considerations link to increased focus on CSR. – Technological – innovations in processing of waste materials e.g. use of computer controlled machinery. • Other techniques applied to WTZ e.g. SWOT. – Strengths e.g. brand reputation. – Weaknesses e.g. high gearing linking to financing any future expansion. – Opportunities e.g. market growth in countries R and S. – Threats e.g. competition from Hippo Barrel.	**20**

Question	Answer	Marks
6	**Analysis** Analysis is about the **use** of the techniques to shape strategy • Analysis of how PEST might guide strategic decisions: – Reduction in interest rates may enable more ambitious strategy such as Option 1. – Opportunities to process plastic waste from developed countries e.g. Option 2 – Regulation on food packaging may favour takeover of Lacpac. – Anticipating changes to the external environment will enable WTZ to take decisions to reduce risk and take advantage of opportunities. • Analysis of how other SA techniques can shape strategy: – Focus on strengths and core competencies in choosing strategy will reduce risk to the business. – Identification of weaknesses that need to be addressed when making decisions or alternative sought e.g. financing. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. Clear conclusion as to the usefulness of PEST and strategic analysis to developing business strategy including: • Critical comments on PEST: – PEST on its own is not enough to develop strategy - need understanding of internal factors as well – WTZ operates in a dynamic environment so analysis may quickly become outdated. • Importance of understanding where the business is now in order to generate ideas and/or support for expansion. • Subjective interpretation of the models – one manager's opinion of SWOT may be very different to another. • Ranking the usefulness of the techniques in relation to expansion plans. • An assessment of the importance of timing and a timescale in carrying out analysis.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>7</td><td>

Evaluate the strategic choice techniques that could help WTZ choose between option 1 and option 2.

<table>
<tr><td></td><td>Option 1: Takeover of Lacpac</td><td>Option 2: Expansion into country S</td></tr>
<tr><td>Driving forces</td><td>Rapid market growth in use of recyclable non-plastic packaging in the food industry</td><td>Builds on core competencies of WTZ</td></tr>
<tr><td>Restraining forces</td><td>High cost</td><td>Competitive market in country S</td></tr>
<tr><td>Capital cost</td><td>$20m</td><td>$10m</td></tr>
<tr><td>Accounting Rate of Return (ARR)</td><td>15%</td><td>10%</td></tr>
<tr><td>Decision tree:
Expected monetary value
Probability of success</td><td>
$9m
60%</td><td>
$4m
70%</td></tr>
</table>

Note:
- Focus should be on strategic **choice** techniques NOT strategic analysis techniques
- If there is no reference to, or knowledge of SC techniques then limit to K 2 APP 2 AN 0 EVAL 0 for other factors related to the choice between options 1 and 2.

Knowledge
- Strategic choice is part of strategic management and involves the process of identifying and deciding between different options.
- Strategic choice techniques such as Ansoff Matrix, Decision trees, Force Field Analysis and investment appraisal.
- Strategic choice techniques help evaluate the risks and rewards from different strategic options.
- Understanding of different choice techniques:
  - Investment appraisal: payback and ARR. How quickly investment is recovered and the average profitability of the investment.
  - Decision trees: inclusion of probability to calculate the monetary outcomes from investments and make choice based on quantitative data
  - Force field analysis: considers driving and restraining factors in a decision
  - Ansoff's matrix: considers risk of growth strategies with reference to product and market
- Quantitative and qualitative factors.
- Reference to strategic analysis techniques when preparing for choice such as SWOT, PEST, Boston matrix, Porter's Five Forces, Core competencies and others.

</td><td>**20**</td></tr>
</table>

Question	Answer	Marks
7	**Application** • Use of the techniques/factors for two options – Appendix 2 examples. • Ansoff's matrix: – Option 1 is diversification (new product development) – Option 2 is market development. • Option 2 has higher probability of success and less risk • Option 1 has higher net return and ARR • Option 2 capital cost is $10m greater – link to gearing 63.6% • Amandi is willing to take risks • Driving and constraining forces: – Competition in country S but risk is still estimated to be lower – High cost of option 1 and link to gearing. **Analysis** • Techniques encourage directors to consider the possible quantitative outcomes of each strategy. This will help decide which is the best and therefore reduce risk. • 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 the negative effects of those restraining forces. • Better decision-making by considering the quantitative aspects of the choices: – Use of probabilities in decision trees therefore reducing risk for WTZ of option choice – ARR enables WTZ to choose option with highest return which may be important to shareholders as will influence dividends. • The use of techniques to analyse aspects of the options. • Interpretation of Ansoff's matrix to compare the relative risk of each option therefore guiding decision-making. e.g. option 2 might be considered to be market development and therefore lower risk than option 1 so is therefore a better option **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Judgement/evaluation about usefulness of strategic choice techniques supported by e.g.: – Is Ansoff useful in this case as risk more influenced by factors such as potential regulation and market growth. – Subjective nature of Force Field Analysis – Limitations of using only quantitative or qualitative techniques. • Elements that the evaluation/judgement might depend on such as: – Accuracy of estimates for quantitative techniques – Other information	

Question	Answer	Marks
7	• Evaluation of other factors that influence choice such as: – Attitude of directors – Attitude to risk – Influence of strategic analysis – Corporate objectives of WTZ – Impact of different strategies on stakeholders – Long-term v short-term impacts – Other information that might be useful – Capital available. • Justification of most useful technique(s) with supporting argument.	