Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Case Study **October/November 2023**

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 October/November 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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.

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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).

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3. Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4. Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> constraints on HP of changes in its external environment.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• Only reward constraints.
• If more than two constraints are referred to, reward the best two.
• All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Definition of external environment: those factors outside the control of a business. • Constraints: those external factors that might hold the business back or put limitations on its activities. • Meaning of external factors such as economic and political factors and competition. • Impact of external factors such as: – laws limiting business activity – cost (inflation) – limiting HP's growth – limiting demand for HP's products. **AO2 Application** *Max one* APP *for application for the first constraint and max one* APP *for application for the second constraint.* • HP is facing more competition from multi-national companies who have entered the market in response to increased demand for pet products, this is likely to continue (link to labour turnover). • Many pet care products, especially organic pet food may be regarded as 'luxury' items, the same may be said of pet ownership to some extent (link to demand if real incomes decrease due to inflation). • Increasing inflation (link to costs of organic inputs for HP). • Central bank decision to increase interest rates in the near future (link to demand for pet food or plans to borrow for factory modernisation). • Plans to automate production (link to employment law). • Competition law and takeovers such as Organic Pet Foods.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • The entry of multi-national companies into the market for pet-care products may well offer lower prices due to their economies of scale AN, leading to lower sales and profits for HP. • Inflation and higher interest rates will reduce HP's growth because consumer disposable incomes and confidence will decrease, AN leading to lower demand, L2 AN especially for highly income elastic products such as organic pet food. • Higher interest rates may make expansion plans more expensive therefore delaying factory modernisation AN and resulting in lower growth for HP. L2 AN • Increasing competition from multinational competitors will impact labour costs as labour turnover increases AN and this may force HP to increase wages to retain employees. L2 AN Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

Analyse <u>two</u> benefits to HP of its coordinated marketing strategy.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
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• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
• If more than two benefits are referred to, reward the best two.

</td><td>8</td></tr>
</table>

Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Definition of relevant terms (max K1 mark) • Meaning of coordinated marketing strategy – different elements of marketing strategy working in tandem to achieve marketing objectives. • Meaning of customer relationship marketing – using marketing activities to build and establish good customer relationships. Benefits of a coordinated marketing strategy (max K2 marks): • 4Ps aligned with each other to avoid an inconsistent message to customers. • Promotion tactics will be coordinated with the promotion budget. • Marketing mix will be coordinated with marketing budget. **AO2 Application** *Max one* APP *for application for the first element and max one* APP *for application for the second element.* • The coordinated marketing strategy includes a wide range of pet related products, knowledgeable sales assistants the 'Happy Pet Club' and buy in store or online and click and collect. • Different products in mix, including 'premium' organic pet food. • The Happy Pet Club is a good way to keep record of customers and their pet care spending patterns. • Link coordinated marketing mix with HP's 'one stop shop for pet products' mission. • The benefits to customers such as advice, special offers and vouchers will keep pet owners returning to HP. • It will be easy to promote 'new' products or services to pet owners, as the target market is already identified. • The Happy Pet Club card can be used for in-store sales and 'click and collect'.	

Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Knowledgeable sales assistants will increase customer's confidence and trust in HP resulting in higher sales AN and therefore profit may increase. L2 AN • Happy Pet Club loyalty card records can be used to personalise marketing communications, for example sending cat owners special offers for cat food, which should lead to more customers using their vouchers and increased sales. AN • Tracking loyalty card sales will be a useful way of spotting demand trends, such as increasing sales of organic products. This means that HP can react to these trends quickly, AN gaining 'first mover advantage' and increased sales. L2 AN • Coordinated marketing strategy will ensure that different elements of the marketing mix support each other which will lead to a more efficient use of resources such as budget AN resulting in more sales for each dollar spent. L2 AN Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Refer to Table 1.1 and lines 49 to 51. Calculate the forecast capacity utilisation in 2024.

Table 1.1 HP’s capacity and output data
<table>
<tr><td></td><td>Actual
2023</td><td>Forecast
2024</td></tr>
<tr><td>Maximum capacity (units)</td><td>15 million</td><td></td></tr>
<tr><td>Output (units)</td><td>14 million</td><td>16 million</td></tr>
</table>
Responses may include:

(Forecast) capacity utilisation = (Forecast) output / maximum output × 100 (1 mark if no relevant calculation)

The maximum capacity in 2024 is 15 million + 20% = 18 million (1)

Forecast output is 16 million so 16million / 18 million × 100 (2)

= 88.89% or 88.9% or 89% (3)

Alternative answers:
14/15 × 100 = 93.3% (2)
16/15 × 100 = 106.7% (2)

Note: % not needed for full marks.</td><td>3</td></tr>
<tr><td>3(b)</td><td>Refer to lines 57 to 58 and assume no other changes. Calculate the forecast percentage change in sales for 2025 if average incomes increase by 1.5%.

The market research has allowed HP to estimate the income elasticity of demand for organic pet food as +2.

If average incomes go up by 1.5%, then demand will increase by 1.5 × 2 = 3% (1)

Note: % not needed for full marks.</td><td>1</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate whether the factory modernisation will be sufficient to improve efficiency.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

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

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Question	Answer	Marks
3(c)	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Efficiency: maximum output from available inputs. • Knowledge of automated production systems such as (CAM) use of computer software to control machine tools and equipment in manufacturing products. • Impacts of automated machinery: – less labour – increased maximum output – lower unit costs – more consistent standards of output. **AO2 Application** *Limited application,* APP *applies knowledge to HP once.* *Developed application,* APP + APP *applies knowledge to HP twice.* • Automation will lead to capital intensive manufacturing, a change from the current labour intensive batch production. • The high ($15m) initial cost will require finance. • There will be less need for production workers in the factory, the trade union representative is threatening to resist job losses. • The trend of rising demand suggests the need for greater capacity at the pet food factory. • Modernisation will increase the forecast capacity in 2024 to 18 million units. • The forecast for capacity utilisation in 2024 is high (89%).	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Automation can lead to precise manufacturing which will reduce quality problems AN and therefore making more efficient use of inputs. L2 AN • Machinery can replace labour and therefore reduce the labour force whilst maintaining or increasing output. AN. Therefore, there is an increase in labour productivity. L2 AN • Automated machinery can enable more flexible production which allows a quicker changeover from one product to another AN thus reducing downtime and increasing productivity. L2 AN • The high forecast capacity utilisation in 2024 means there is little, if any spare capacity, so modernisation may enable an increase in output and sales AN and therefore an increase in market share. L2 AN • Favourable current economic conditions mean the market for this luxury pet food product is growing, AN potential for higher sales and market share if capacity is available. L2 AN • The change from batch production could result in lower levels of inventory and therefore increase efficiency. AN However: • Introducing the new machinery may be resisted by trade unions resulting in disruption to production AN causing a decrease production and efficiency. L2 AN • Economic conditions may not continue to be favourable, which could lead to pet owners switching to lower priced products and sales not increasing so fast, AN this would lead to excess capacity in future. L2 AN • The change to capital intensive will lead to job losses and redundancy payments increasing costs in the short term AN and possibly resulting in negative publicity impacting sales. L2 AN	

Question	Answer	Marks
3(c)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Factors that increasing efficiency might depend on: – How accurate might sales forecasts turn out to be? ○ If sales don't increase then efficiency will decrease as there will be an increase in excess capacity. ○ Possible impact of external factors, such as changes in economic conditions. – Reliability of machinery. Hardware failure and breakdowns can be complex and time-consuming to fix. – Response of trade union to modernisation. – Need for employee training following modernisation. – Quality assurance is still needed. Errors in programs can produce faults that have to be identified and corrected. • Evaluation of alternative approaches to increasing efficiency/output, such as out sourcing. Accept all valid responses.	

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

Refer to Table 1.2. Calculate the gearing ratio for 2023.

Table 1.2 Financial data for HP, 2023

	$
Revenue	95m
Profit for the year	12m
Non-current liabilities	100m
Shareholders' equity (issued shares + reserves)	110m
Total dividend paid	7m
Dividend per share	2.50
Share price	8.00

Responses may include:

Answer given	Notes	Mark
47.62% OR 47.6% OR 48%	Correct answer % not required for full marks	4
Gearing = 100m / 210m × 100	Correct method and values for NCL & CE but no correct final answer	3
Gearing = NCL / CE × 100 AND CE = $110m	Correct equation AND correct calculation of CE	2
Gearing = NCL / CE × 100 OR CE = $210m AND/OR CE = Shareholders' Equity + NCL	Correct formula for gearing OR Correct calculation of CE AND/OR Correct formula for CE	1
No Creditable Content		0

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

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

Evaluate whether the financial data provided will enable HP to decide how to finance the factory modernisation.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
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Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
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Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

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

Question	Answer	Marks
4(b)	**Indicative content** Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of financial data or knowledge of sources of finance.* *Developed knowledge* K + K *will be demonstrated through knowledge of financial data and knowledge of sources of finance.* • Understanding of gearing ratio. • Understanding of new share issue as a source of finance. • Understanding of bank borrowing as a source of finance. • Meaning of dividend yield ratio. **AO2 Application** *Limited application,* APP *applies knowledge to HP once.* *Developed application,* APP + APP *applies knowledge to HP twice.* • Investment needed is $15m will increase forecast gearing from 47.62% to 51.11% which would be considered high. • NCL is $100m. • Current dividend yield is 31.25%, a good return for investors. • The dividend cover ratio is 1.71, HP well able to afford dividends. • Interest rates are likely to be increasing, this will mean bank borrowing is more expensive. • Profit for the year is $12m and dividend paid is $7m so retained profit is $5m. • Profit for the year margin is 12/95 × 100 = 12.63%. • The modernisation will lead to higher output of organic pet food in the future and higher sales revenue and profit.	

Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • The current dividend yield is relatively high which would support decision to issue shares as it would encourage investors to buy shares AN thus raising the finance and making the share issue a success. L2 AN • Dividend cover ratio indicates that HP can afford current level of dividends AN and suggest good dividends in future, may encourage investors. L2 AN • Bank borrowing will mean paying interest, so cost is potentially greater than a share issue AN but gearing is below 50% so banks may be willing to lend to HP not seen as high risk. L2 AN • Analysis of factors influencing decision other than financial data. • A new share issue will take more time to arrange than bank borrowing, potentially delaying the modernisation project. AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* Supported judgement as to whether the financial data will/will not enable decision to be made about source of finance: • Retained profit appears insufficient as profit for the year is $12m and dividends paid is $7m so $5m of retained profit might be available but this could have been used already. Seems highly unlikely that there is insufficient retained profit for the investment. • Gearing is only just below 50% suggesting a degree of risk in further borrowing of $15m. This may favour a new share issue to keep gearing below 50%. • Attitude of directors to risk will be significant. • Whether to issue new shares may depend on whether this might make HP a takeover possibility. • Likely increase in interest rates important as it will increase cost of borrowing making a bank loan less attractive. However, HP may be able to negotiate a loan before this change in monetary policy. • Evana's influence as CEO. Accept all valid responses.	

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

Evaluate the importance to the future success of HP of its HRM strategy.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
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Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
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Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

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

Question	Answer	Marks
5	**Indicative content** Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of HRM strategy or knowledge of impact of HRM strategy.* *Developed knowledge* K + K *will be demonstrated through knowledge of HRM strategy and knowledge of impact of HRM strategy.* • Meaning of HRM strategy – approaches to the management of employees of a business. • Knowledge of the difference between soft and hard HRM. • Knowledge of other relevant HRM strategies such as management by objectives (MBO). • Knowledge of decentralised structure and implications for HRM. • Knowledge of impacts including: – motivation of employees – labour turnover – productivity – decision making – customer satisfaction – sales. **AO2 Application** *Limited application,* APP *applies knowledge to HP once.* *Developed application,* APP + APP *applies knowledge to HP twice.* • HP seems to have more of a soft HRM approach, including delegation to store managers, employee training and involvement of employees in decision making. • HP welcomes 'intrepreneurship' new ideas from employees, such as the coffee corner. • Training is important as employees need to be knowledgeable about pet care. • There are opportunities for promotion, such as to HP store supervisors or managers for those trainees who are ambitious. • Stores have performance targets, which may also suggest an MBO approach.	

Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Soft HRM approaches, such as training, delegation and accepting employee ideas, are likely to lead to greater employee loyalty resulting in lower labour turnover AN which will reduce costs of recruitment and training leading to higher profit. L2 AN • Well trained employees will be a USP for the business resulting in higher levels of customer satisfaction AN which may increase long term sales through repeat purchase. L2 AN • Target setting for each store linked with an MBO approach will make it easier to identify stores and individuals who are under and over performing, AN so that rewards can be given or changes made. L2 AN • Delegation of decision making to store managers will make HP more responsive to changing local needs AN thus increasing customer satisfaction and sales. L2 AN • Empowering employees will encourage innovation such as the coffee corner which increases revenue AN. • Delegation of decisions to store managers could result in poor decision making if managers lack experience leading to a less consistent corporate/brand image in the stores. AN • Employee training programmes may be expensive, especially off-the-job training reducing profit AN and there is a risk that employees could be poached by competitors, especially in view of new multi-nationals entering the market. This would lead to a waste of the money spent on training. L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to whether HP's HRM strategy(s) is likely to lead to future success. • Success of any strategy will depend on the extent to which HP employees meet the needs of customers. • Success of any strategy will depend on effective leadership from Evana. As HP diversifies and grows, will this become more challenging? • What might success mean in this context? Is it more than profit? Reference to 'one stop shop for pet products' mission. Accept all valid responses.	

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