CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level

MARK SCHEME for the May/June 2013 series

9707 BUSINESS STUDIES

9707/33 Paper 3 (Case Study), maximum raw mark 100

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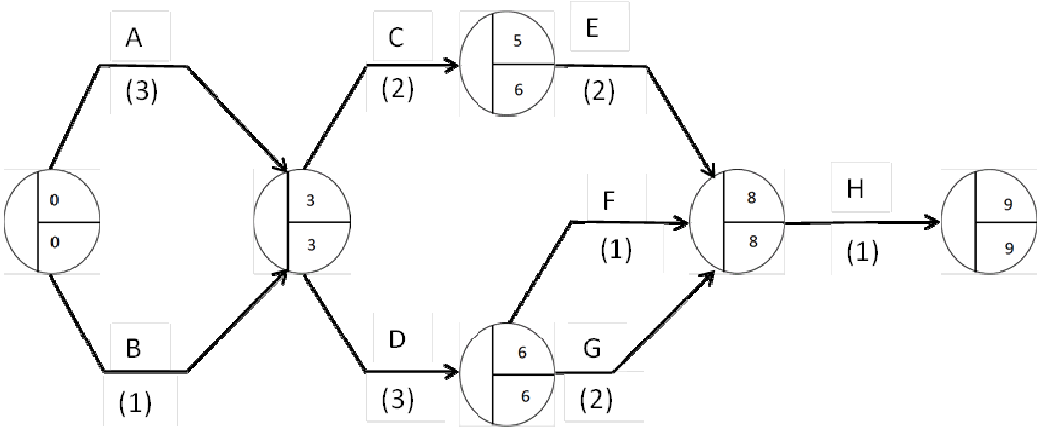
1 Analyse the likely impact on CC of increased competitive rivalry (line 9). [10]

	Knowledge 3 marks	Application 2 marks	Analysis 5 marks
Level 2	3 marks Good knowledge of competitive rivalry	2 marks More than one factor explained in context	5–3 marks Good use of theory and/or reasoned argument to explain impact
Level 1	2–1 marks Some knowledge of competitive rivalry	1 mark Some application to case	2–1 marks Some use of theory and/or reasoned argument to explain impact

Definition
Competitive rivalry: the level of competition or rivalry in a market – influenced by buyer power, supplier power, threat of substitutes; barriers to entry. Candidates may refer to Porter.

Answers could include:
- Barriers to entry seem to be falling – cheaper technology
- Supplier power seems to be increasing – due to demand for organic food and limited supply
- Buyer power increasing – supermarket market share rising – but CC sells mainly through specialist food shops but they will be under pressure to reduce costs to remain competitive
- Impact: Higher costs of organic food – lower margins or raise prices – PED?
- More rivals – but new entrants will not have reputation for quality built up by CC so impact might be slight. It could, though, lead to increased price competition unless CC can differentiate products sufficiently
- Buyer power – demand for lower prices from buyers. Impact may be on lower profit margins

2 (a) (i) Draw a network diagram using the information in Appendix 1. [6]



6 marks – correct
4–5 marks – some errors
2–3 marks – some understanding
1 – some attempt

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(ii) Calculate the earliest start times (ESTs) and latest finish times (LFTs) of all of the activities. [5]

5 marks – all correct
3–4 marks – some errors
1–2 marks – some correct results

(iii) State the duration of the critical path. [1]

9 weeks A, D, G, H

(b) Do you agree with the Operations Director that the relocation will be completed on time? Justify your answer using your results from 2(a) and other information. [10]

	Knowledge 2 marks	Application 2 marks	Analysis 2 marks	Evaluation 4 marks
Level 2	2 marks At least two relevant points made	2 marks Application of two or more points to case	2 marks Good use of theory to answer question	4–3 marks Good judgement shown
Level 1	1 mark One relevant point made	1 mark Some application to case	1 mark Some use of theory to answer question	2–1 marks Some judgement shown

Answers could include:

CPA – planning technique that places activities in correct order

- Network suggests he is correct – but there is no spare time
- Limited float on non-critical activities
- Can critical activities be reduced at all? Can quote be obtained before legal arrangements complete?
- Uncertainties
- Estimated durations – how obtained?
- Is Ops Director biased at all?
- Legal arrangements – already taken longer than expected, so is 3 weeks long enough?
- New equipment – will it work OK and surely staff will need training on this equipment – network makes no allowance for this
- Possibility of opposition from employees and unions who have not yet even been told of plans.

Evaluation:

- Overall judgement could go either way – perhaps weight of argument is to disagree with Ops Director
- CPA will increase the chances of meeting the deadline for completion

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3 Discuss the extent to which CC should change its marketing strategy within country Y. Refer to the data in Appendix 2 and other information in your answer. [16]

	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 6 marks
Level 2	2 marks At least two relevant suggestions made	2 marks Application of two or more points to case	6–4 marks Good use of theory to answer question	6–4 marks Good judgement shown
Level 1	1 mark One relevant suggestion made	1 mark Some application to case	3–1 marks Some use of theory to answer question	3–1 marks Some judgement shown

Examiners Note: L1 A & E if no reference to Appendix 2

Definition:

- Marketing strategy – an integrated plan for the marketing of a firm's products with objective, budget and marketing mix.

Answers could include:

- Econ data suggests: Lower consumer incomes – falling demand for income elastic goods?
- Higher unemployment – lower consumer confidence but are the unemployed likely to be the consumers of CC products anyway? Lower costs of recruiting staff in new location? This could allow for some adjustment in prices
- Higher inflation – suggests real incomes will fall and costs of production will rise, impacting on profit margins
- Exchange rate – scope for selling abroad? Higher prices for competitors' products if these are imported
- Falling house prices – reduces confidence especially of higher income groups
- Higher marginal rate of tax – further reductions in higher disposable incomes
- New strategy: Lower value products? Selling through internet more to allow lower prices but same product quality. How suitable is this channel for most of CC's products?
- More promotion – where and how much?
- Keep things as they are – these are only forecasts – may be short term, may not be as bad as forecasted. Real risk of damaging long term brand image by responding inappropriately to economic changes with a different marketing mix

Evaluation:

- Most important part of the strategy?
- Change or not – overall judgement needed
- Other data useful too – e.g. CC's competitors, relative price levels etc.

4 (a) Refer to Appendix 3. Calculate the expected monetary values at:

(i) node 1 **[2]**

$0.5 m ([0.5 x $3 m] – $1 m) 2 marks

1 mark if some attempt

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(ii) node 2 **[3]**

$3.6 m [(0.8 x {$0.5 m + $4.5 m}) + (0.2 x – $2 m)] 3 marks

2–1 marks if some attempt $3.2 m 2 marks

Allow OFR from (i)

(iii) node 3 **[1]**

$ 1.6 m ($3.6 m – $2 m) 1 mark

Allow OFR from (i) & (ii)

Examiners note

0 may be 'correct' answer where, based on OFR, expansion to country X yields a negative monetary value

(b) Recommend to CC whether to expand by selling products within country X. Refer to your results from 4(a) and other information in your answer. [10]

	Knowledge 2 marks	Application 2 marks	Analysis 2 marks	Evaluation 4 marks
Level 2	2 marks At least two relevant points made	2 marks Application of two or more points to case	2 marks Good use of theory to answer question	4–3 marks Good judgement shown
Level 1	1 mark One relevant point made	1 mark Some application to case	1 mark Some use of theory to answer question	2–1 marks Some judgement shown

Answer could include:

- EMV – the average financial return from taking a decision
- Decision tree EMV seems to be encouraging – it appears to be a good return from an investment of $2 m (in new recipes, packaging transport etc.)
- BUT: Different social, cultural, legal environment
- Has CC done sufficient research into these differences? Involvement of supermarket may provide CC with valuable insight into country X's market
- How reliable is DT in this case – it appears to be a one-off decision so no past data but management consultant might be experienced in this field
- Can CC raise sufficient finance? Profit in 2012 was $3.5 m – is there sufficient retained profit? Acid test ratio suggests limited liquid funds.

Evaluation: Possibly a mistake to depend solely on DT; other data needed e.g. investment appraisal, break-even, qualitative factors, market research results

- Is this just a knee jerk decision to problems in country Y? This is a medium risk strategy but little evidence that it has been thought through fully.
- Overall judgement needed

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5 Recommend to CC's management whether to accept the 'single union, no-strike deal' offered by the General Workers Union in the new factory (line 48). Justify your answer. [16]

	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 6 marks
Level 2	2 marks At least two relevant suggestions made	2 marks Application of two or more points to case	6–4 marks Good use of theory to answer question	6–4 marks Good judgement shown
Level 1	1 mark One relevant suggestion made	1 mark Some application to case	3–1 marks Some use of theory to answer question	3–1 marks Some judgement shown

Definition:
- Single union deal – only one union is recognised for purposes of collective bargaining

Answers could include:
- No strike deal – no strikes in exchange for greater union role in decision making that impacts on workers
- Gives better communication e.g. about the new equipment and how this will impact on workers
- No demarcation or leap frogging pay claims
- Easier collective bargaining
- No strikes will reduce danger of disruption caused by industrial action
- BUT: some workers e.g. skilled workers will feel they are not adequately represented
- Strengthens union's hand during negotiations – speaking for all workers
- Involvement of union and workers will require a change in leadership style and culture of CC and Jim – this could prove to be a major stumbling block in this case

Evaluation:
- This is the direction industrial relations is going in some countries – allow for different approach/emphasis from candidates from other countries
- Increased competitive rivalry and economic changes suggest that CC wants workers "on its side" and involved in making suggestions for improving competitiveness
- May depend on exactly which key decisions the union is to be more involved with
- Overall judgement needed

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Questions 6 and 7 use this marking grid:

	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
Level 3				10–6 marks Good judgement shown in text and conclusions
Level 2	3 marks Good understanding shown	3 marks Good application to case	4–3 marks Good use of theory to explain points made	5–3 marks Some judgement shown in text and/or conclusions
Level 1	2–1 marks Some understanding shown	2–1 marks Some application to case	2–1 marks Limited use made of theory	2–1 marks Limited judgement shown

6 Assess the usefulness and limitations of the data in Appendix 4 to CC's management when making the strategic decision to take over RD. [20]

Definition:

- Strategic decision – long term, taken by senior management, difficult to reverse, involves many resources – this takeover proposal is an example of one

Answers could include:

- Data allows comparisons that could be very useful e.g. RD's gearing ratio – this must be reflected in final takeover price
- Different liquidity and days sales ratio suggests that financial management of RD is not great – CC may be able to release working capital after takeover
- High GPM and low NPM suggest that CC could reduce overheads substantially within RD and increase net profits – scope for much higher return on capital

Evaluation:

- Problems with ratio analysis – only one year; how reliable is the accounting data? (window dressing before sale of RD?)
- Is CC gearing ratio likely to rise with relocation costs – in which case can this takeover be afforded?
- Other data needed too e.g. market share, previous years' results, investment appraisal, Ansoff classification of this takeover?

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7 Evaluate the importance of effective management of change to CC's future success. [20]

Examiners Note:
Limit to L1 K, P, A & E if answer just comments on managerial/leadership qualities and makes no link to issue of managing change.

Definition:
- Management of change – a structured approach to leading the organisation towards a desired new position. Empowering and involving staff to accept change

Answers could include:
- Several changes in this case: How might CC manage these changes effectively
- New location with new technology – workers not even told yet
- Change to TU representation possible – will workers be consulted?
- Potential change to marketing strategy – will this require new recipes etc. and staff training?
- Selling abroad for first time – staff involvement could be beneficial here
- Potential takeover of Retail Delights – major changes to staff pay/conditions likely if this goes ahead. Top down decision making likely here.
- Jim seems to not use participation/involvement of staff – this will make effective change management much more difficult.
- Could lead to low motivation and poor acceptance of change – yet the business wants to maintain continuous production of high quality goods.

Evaluation:
- Lack of effective change management likely to be a major problem for CC's success.
- Jim unlikely to change his style/culture?
- Other factors important too e.g. negative economic data and increased competitive rivalry
- But these factors would be easier to deal with if change management was effective within CC.

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