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Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the May/June 2015 series

9707 BUSINESS STUDIES

9707/13 Paper 1 (short answer/Essay), maximum raw mark 40

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1 (a) A stakeholder can be defined as people, groups of people, or organisations that can be affected by an organisation or have an interest in the actions and activities of that organisation. Examples can be credited: in addition to a partial definition can justify a second mark. Examples only are to be given 1 mark max.

A definition of a shareholder is too narrow and is not acceptable as an answer to this question.

- Full definition – sound understanding **[2]**
- Partial definition – limited understanding **[1]**

(b) A public limited company is accountable to its **shareholders** in the following ways:

– accountability for the general direction and performance of the company.
– accountability for the financial performance of the company (share price and dividends).
– accountability for compliance with legal requirements, eg employment laws, health and safety, taxation, equality etc. (these may be cited as separate and specific examples of accountability).
– accountability for the image, reputation of the company.
– requirement to hold an AGM

[These accountabilities will be managed through appropriate governance organisation arrangements].

- Sound explanation of **TWO** ways. **[3]**
- Sound explanation of **ONE** way, or partial explanation of **TWO** ways. **[2]**
- Partial explanation of **ONE** way or simple statement of **TWO** ways. **[1]**

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2 (a) Process innovation can be defined as the use of new or improved production methods or service delivery methods. (including significant changes in techniques, equipment and/or software).

- A full definition – sound understanding. **[2]**
- A partial definition – limited understanding. **[1]**

(b) The ways a manufacturing business could use process innovation to improve efficiency could include:

– Introducing a new, more cost effective, machine to produce a product.
– Moving to a more streamlined production line system e.g. flow production
– The use of new software such as 3D modelling software i.e. (CAD).
– Use of CAM in production process.
– Training i.e. higher skilled workers
– Improved motivation
– Computerised stock control

These and other innovations can lead to reduced downtime and waste, improved repeatable product quality, faster responses to customer demands.

- Sound explanation of **TWO** ways. **[3]**
- Sound explanation of **ONE** way or partial explanation of **TWO**. **[2]**
- Partial explanation of **ONE** way or simple statement of **TWO**. **[1]**

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3 – Different types of cost information can be used to monitor and improve business performance, such as direct, indirect, fixed, variable, marginal cost data.

– Any or all of this type of information will allow a business to consider such factors as the cost effectiveness of operations, the opportunity costs of certain activities, the need for cost reduction initiatives, the trends in cost level, and benchmarking with competitor/industry level costs.

– Reviewing cost information allows a business to ask vital questions such as: are we keeping a close enough eye on direct costs – on overheads – how could we lower costs – could we negotiate better deals with suppliers?

– Cost information is then at the heart of business improvement generally.

– Credit to be given for specific cost information examples.

- Sound understanding demonstrated by reference to cost situations which illustrate how cost information is used for monitoring and improving business performance. **[4–5]**

- Some general understanding of how cost information/data might be used in a business. **[2–3]**

- Limited understanding of business cost information/data. **[1]**

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4 (a) Management can be defined as the process of organising and co-ordinating resources, including people, to achieve objectives/making decisions – often summarised as planning, organising, staffing/motivating, leading or directing in an organisation.

Can describe functional management roles or organisational structures.

- A full definition – a sound understanding. **[2]**
- A partial definition – limited understanding. **[1]**

(b) Henry Mintzberg has identified ten managerial roles common to the work of all managers. These roles are divided into three groups:

(i) Interpersonal roles – dealing with and motivating staff in an organisation i.e. Figurehead, Leader, Liaison

(ii) Informational roles – dealing with sources and transmission of information i.e. Monitor, Disseminator, Spokesperson

(iii) Decisional roles – taking decisions and allocating resources to meet organisational objectives i.e. Entrepreneur, Disturbance handler, Resource allocator, Negotiator.

Candidates may refer to any of the ten roles:

The managerial roles presented must relate to the Mintzberg roles set out above to gain credit.

- Sound explanation of **TWO** roles. **[3]**
- Sound explanation of **ONE** role or partial explanation of **TWO**. **[2]**
- Partial explanation of **ONE** role or simple statement of **TWO**. **[1]**

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5 (a) Above the line promotion is defined as paid for communication with consumers using mass media methods. The focus is on advertising to a large audience. It includes print, on line media, television and cinema advertising. The aim is to inform customers, raise awareness and build brand positioning. It tends to be high cost and lacks precision. It is difficult to measure impact and effectiveness – it is conventional and impersonal – it is 'awareness or attention focused marketing'.

Below the line promotion is very specific, memorable activity focused on targeted groups of customers. The aim is to develop a brand by creating awareness and building a brand profile – methods include sponsorship, sales promotions, public relations, personal selling, direct marketing. It is more measurable promotion – tailored – less conventional – potentially more cost effective.

The distinction between the two is becoming less clear with internet possibilities – more of a mix – 'through the line'.

- Analysis of the two methods, with examples. **[7–8]**
- Good explanation of the two methods, with examples. **[5–6]**
- Limited explanation of the two methods. **[3–4]**
- Little understanding of methods of promotion. **[1–2]**

(b) Answers may well define brand – an identifying symbol, image, name, or trademark that distinguishes a product from competitors. Branding can have real influence on marketing. It can create a powerful image or perception in the minds of consumers – negative or positive – it can give the products of a company a unique identity.

– Promotion is the use of methods such as advertising to inform consumers and persuade them to buy – how does branding assist promotion?
– Branding acts as a way of communicating with customers – the brand delivers a strong message.
– Branding connects a product to a customer – it builds trust.
– Branding motivates customers to buy and continue buying a product.
– Branding establishes credibility in the mind of a customer
– helps the introduction of new products under the same brand name

Branding can, therefore, be very important in supporting effective product promotion. It needs, of course, protection and constant reinforcement.

- Evaluative comment on the importance of branding for effective product promotion. **[9–12]**
- Analysis of the importance of branding for effective product promotion. **[7–8]**
- Some discussion of branding. **[3–6]**
- Limited understanding of branding and/or product promotion. **[1–2]**

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6 FACTORS affecting the decision as to how this investment might be financed could include:

– Any assumptions made about how big an investment this is.
– Also, whether there are any government incentives available in this new country.
– What is the financial health of this company (assume that it is a PLC).
– Are there internal sources of finance – retained profits?
– How highly geared is this company
– The level of interest rates
– Could it make a rights issue?
– Is it planning more investment in the future and needs to conserve internal funds?
– What sort of business model is it implementing, eg the 'coffee shops' could be developed in existing externally owned stores – this will reduce the extent of financial investment required.
– Similarly, a franchise model will affect amount of investment.
– Might there be partners willing to invest?
– Time period involved
– Control issues i.e. loss of control/dilution of ownership

- Evaluative discussion of a range of factors that could affect an investment funding decision in context (expansion and/or new country). **[17–20]**

- Analysis of a range of factors that could affect an investment funding decision in context (expansion and/or new country) **[13–16]**

- Good discussion of a range of factors that could affect investment funding decisions in context (expansion and/or new country) **[11–12]**

- Some understanding of factors that could affect investment funding decisions. **[5–10]**

- Limited understanding of factors affecting investment funding decisions. **[1–4]**

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7 (a) Labour turnover can be defined as the rate at which employees leave a company. There are a number of reasons that could explain a high rate of labour turnover, including:

- HR policy and action in the company may not be strong.
- Recruitment and selection methods may be deficient so poor staff recruited.
- Mis-match of skills and competencies with jobs.
- Poor management and leadership – leading to low morale and motivation.
- Poor training and development opportunities.
- More attractive jobs elsewhere.
- The nature of a business – casual, part-time employees might explain a relatively high labour turnover.
- Low wages and poor working conditions.

- Analysis of reasons for a high rate of labour turnover. **[7–8]**

- Good explanation of reasons for a high rate of labour turnover. **[5–6]**

- Limited explanation of reasons for a high rate of labour turnover. **[3–4]**

- Little understanding of labour turnover. **[1–2]**

(b) Answers could identify issues relating the low level of customer service and possible solutions, such as:

- Thorough investigation and analysis of evidence of the different types of customer service complaints.
- Review existing HR policy regarding recruitment, selection of staff (long-term rather than short-term solution).
- Examine and make changes if appropriate in the level and type of training given to employees.
- Examine the living conditions – hours of work of staff.
- Interview members of staff to find out their perspective.
- Examine existing management and leadership style on ships.
- Apply sanctions if necessary – remove staff/managers.
- Set new standards of customer service.
- Increase incentives – enhance hygiene factors and develop motivators e.g. bonuses
- It needs immediate short-term actions and more long-term initiatives – reputation is at risk.

- Some evaluative comment on problem-solving options in context **[9–12]**

- Analysis of problem solving options in context. **[7–8]**

- Some discussion of problem solving options. **[3–6]**

- Limited understanding of problem solving options. **[1–2]**

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