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MARK SCHEME for the October/November 2015 series

9707 BUSINESS STUDIES

9707/13 Paper 1 (Short Answer/Essay), maximum raw mark 40

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1 (a) Internal growth refers to the expansion of a business by expanding existing operations through opening new branches, shops or factories – also known as organic growth.

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

(b) Business growth may be sought for reasons such as:

– increase profits and sales
– increase market share – a higher market profile
– secure economies of scale
– increase power and influence of owners in society
– reduce risk of takeover
– exploit entrepreneurial ambition and potential

- Sound explanation of **two** reasons. [3]
- Sound explanation of **one** reason or a partial explanation of **two**. [2]
- Partial explanation of **one** reason or statement of **two**. [1]

2 (a) Process innovation is the use of a new or improved production method or service delivery method.

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

(b) The ways in which process innovation could improve the operational efficiency of a business could include such developments as:

– more efficient production processes – robotics
– CAD/CAM
– making increased use of flow production methods
– use of Internet to initiate and track parcel deliveries

Examples of process innovation could be generic and/or specific and should relate to operational efficiency/cost reduction or to enhanced product/service quality improvement.

- Sound explanation of **two** ways process innovation can lead to improved operational efficiency. [3]
- Sound explanation of **one** way or partial explanation of **two** ways. [2]
- Partial explanation of **one** way or simple statement about process innovation and efficiency. [1]

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3 An explanation requires a clear definition of each:

– **Revenue expenditure** is any expenditure other than non-current asset expenditure and includes items such as wages and salaries and materials bought for inventory.
– **Capital expenditure** involves the purchase of assets that are expected to last for more than a year, e.g. buildings and machinery.

One is **short**-term benefit – one is **longer** term benefit.

The importance of the distinction can be explained by reference to:
– These two different types of spending will almost certainly need to be financed in different ways (e.g. revenue expenditure from profits and capital expenditure from loans).
– These two different types of spending will also be treated differently in business accounts (revenue expenditure will be recorded on each year's Income Statement, together with that year's depreciation for non-current assets owned by the business, while capital expenditure will be recorded in the Balance Sheet).

- An answer refers to the importance of the different types of expenditure in terms of how they are financed and/or how they are treated in the accounts of a business. [4–5]
- Significance is explained in terms of the definitional distinction only [2–3]
- Limited attempt to differentiate between revenue and capital expenditure [1]

4 **(a)** Laissez-faire leadership can be defined as a leadership style that delegates much of the decision-making powers to the workforce – a 'hands off' approach – the opposite of autocratic leadership.

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

(b) The advantages of autocratic leadership may be described as:

– employees know exactly where they stand
– instructions are likely to be explicit and unambiguous
– such leadership is said to be appropriate in certain situations, such as 'quick response' scenarios (e.g. police and army)
– some employees are content to take orders and do not want any more involvement
– work will be supervised closely

- Sound explanation of **two** advantages. [3]
- Sound explanation of **one** advantage or partial explanation of **two**. [2]
- Partial explanation of **one** or simple statement of **two**. [1]

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5 (a) If marketing is concerned with meeting the needs of customers better than your competitors, then establishing a USP can be very important.

– a USP is a special feature of a product and service which differentiates it from competitor products and services – e.g. a delivery promise by Domino's Pizza – a bank offering ethical investment
– a value added statement or commitment that sets you apart
– seeks to convince customers to choose your product/service
– can be an important part of branding – establish a premium brand, e.g. Coca-Cola
– it allows a business to charge premium prices and reduces PED

- Analysis (probably with examples) of the importance of a USP in marketing. [7–8]
- Good explanation of the importance of a USP in marketing. [5–6]
- Limited explanation of the importance of a USP in marketing. [3–4]
- Little understanding of a USP/ marketing. [1–2]

(b) Answers might initially identify the main features of poor customer relations.

Also recognise why customer relations is important – to attract and keep customers loyal.

Ways to improve could include:

– train and develop staff in customer relations
– ensure customer relations objectives are set
– review style of leadership and management to ensure that it supports good customer service
– engage with customers...seek feedback
– respond to collected customer feedback and comments
– introduce customer service awards
– have 'welcome' staff – get rid of queues – smile at checkout, etc.
– ensure they have a good after-sales service
– introduce loyalty cards/improve communication with customers

- Evaluative comment on customer relations improvement measures in context of a large retail business. [9–12]
- Analysis of customer relations improvement measures in context of a large retail business. [7–8]
- Discussion of customer relations improvement measures. [3–6]
- Limited understanding of customer relations. [1–2]

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6 Good candidates may well at some stage define 'business success' and should be rewarded (profitability, growth, brand, recognition).

There may also be some discussion of ways in which an operations department could add to business success through greater efficiencies, innovation, flexibility, e.g. new production methods, use of new technological developments.

This question, however, suggests that business success may well depend on cross departmental co-operation and identifies 3 departments with which an operations department could co-operate.

The contribution of other departments could include:

- **Finance** – supporting increased levels of expenditure on research and development – using profits to invest in new machines – finance the launch of more new products.
- **HRM** – supporting a culture of democratic working – sharing of ideas – developing appropriate leadership and management styles in the business – recruit appropriate staff – creative thinkers – providing appropriate rewards.
- **Marketing** – focus on market intelligence – close to customers and competitors – have effective marketing objectives and so provide appropriate market intelligence and effective marketing of products and services to support the operations department

Different departments thus may well work closely together to achieve corporate flexible and innovative objectives and so increase business success.

- Evaluative discussion of how inter-departmental co-operation can contribute to business success with reference to how an operations department might coordinate with, or relate to, at least **two** other departments named in the question. [17–20]
- Analysis of how inter-departmental co-operation can contribute to business success with reference to how an operations department might coordinate with, or relate to, at least **two** other departments named in the question. [13–16]
- Good discussion of how inter-departmental co-operation can contribute to business success with reference to how an operations department might coordinate with, or relate to, at least **one** other department named in the question. [11–12]
- Discussion of how inter-departmental co-operation can contribute to business success with reference to how an operations department might coordinate with, or relate to, at least **one** other department named in the question. [5–10]
- Limited understanding of inter-departmental co-operation/operations department. [1–4]

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7 (a) Managers of a business perform many important functions including (reward references to the Mintzberg classification)
- setting objectives and planning
- organising resources to achieve objectives
- directing and motivating staff
- coordinating activities across the organisation
- controlling and measuring performance against targets.

- Analysis of the role of the functions of management in a business organisation. [7–8]
- Good explanation of the functions of management in a business organisation. [5–6]
- Limited explanation of the functions of management in a business organisation. [3–4]
- Little understanding of the functions of management in a business organisation. [1–2]

(b) A comprehensive response to this question requires consideration to be given to:
- what might a supervisor do in the context of this question?
- how might a high level of emotional intelligence help?
- to what extent is success dependent on a high level of EI? what is success?...high productivity?...low labour turnover?

A supervisor will:
- monitor the production process
- observe and evaluate workers
- require compliance to procedures
- introduce new production technologies
- support and discipline front line workers
- drive performance, motivate, and ensure quality.

This supervisory work arguably requires a number of skills and competencies, among them emotional intelligence, e.g. self-awareness – self-management – social awareness – social skills. Goleman`s analysis argues that successful managers/leaders have the emotional intelligence to understand their own emotions, and those whom they supervise in order to drive performance.
How might EI help in this context? What management/leadership decisions have to be made in order to motivate production workers and what level of EI might be appropriate? Are production workers any different from other workers in the challenges they present to managers/leaders.? Is the level of EI required any different to that required to successfully supervise/manage any type/group of workers? Interesting discussion questions.

- Evaluative comment on the need of a supervisor of production workers for a high level of EI. [9–12]
- Analysis of the need of a supervisor of production workers for a high level of EI. [7–8]
- Discussion of the need of a supervisor for a high level of EI. [3–6]
- Shows limited understanding of supervisory management/ leadership and/or EI. [1–2]

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