

# BUSINESS AND MANAGEMENT

Paper 9771/01  
Business Concepts

## General Comments

It is pleasing to report that this first examination of the Business Concepts paper led to some outstanding scripts from all Centres. The format of three different types of questions seemed to represent a tough but surmountable hurdle for nearly all of the candidates. One of the most encouraging aspects of the scripts was the clear evidence of excellent time management by the candidates. There were no scripts where whole questions were unanswered and there were very few scripts indeed where the answer to the final question was clearly abbreviated due to time pressure. For this, credit must be given to teachers in the Centres who clearly prepared the candidates well for this examination in terms of managing time effectively between the three sections.

## Comments on specific questions

### **Section A**

**Section A** has 20 multiple choice questions. The mean mark was 13.4 out of 20. The number of correct answers scored ranged from 6 to 19 out of 20. These results show that this section differentiated well. The 'most difficult', **Question 19**, led to many candidates selecting option A, perhaps from a misunderstanding of this important concept. The 'easiest', **Question 5**, was unsurprising given that all candidates have, no doubt, been consumers through e-commerce. Interestingly, the questions requiring quite complex calculations (e.g. **Questions 9 and 10**) did not prove to be much more difficult on average than many of the more descriptively based questions.

### **Section B**

#### **Question 21**

- (a) Nearly all candidates attempted this question and a majority of them scored full marks. The major problems occurred when deciding whether to add or subtract the trend result from the actual sales figures in Y and Z. There was clear evidence that the moving average technique had been taught in Centres and candidates seemed, on the whole, well versed in manipulating this type of data.

*Examiner's tip: It is advisable for Centres to teach the complex quantitative techniques from 'first principles' by working through complete examples, as with time series analysis. It is unlikely, however, that candidates will be asked to undertake all of the calculations required in a table in order to demonstrate the moving average principle.*

- (b) Most candidates obtained the correct result. In several instances errors were caused by adding £2.3m and not subtracting the figure.
- (c) Most candidates were able to make a sensible suggestion for an advantage of using the moving average method – and most applied this benefit to the case study by, for example, referring to the seasonal sales fluctuations for boilers. Quite a few answers stopped there, however, and did not identify the most obvious drawbacks of the method in this case. These included the increasing level of competition, the limited amount of past data used and the potential impact on sales of traditional boilers from technological developments.

### Question 22

It is pleasing to note that very few candidates completely confused R & D with market research – this is such a common failing in answers to questions focused on this topic. The best answers – and there were several that scored full marks – defined R & D and analysed the potential benefits of technological innovations, perhaps supported by patents, for WarmIT. The potential for creating a USP, charging premium prices and earning higher profit margins were among the points analysed. Most answers also made more than passing reference to Table B. The best answers suggested not only that there appeared to be a positive correlation between R & D spending and the number of patents but that Enviroheat bucked this pattern. Perhaps, it was frequently suggested, this indicates that some R & D spending is wasted and that it may be the quality of a patented innovation that is more important than the number of patents anyway. Evaluation of this quality was appropriately rewarded with high marks.

### Question 23

Nearly all candidates were able to make useful points about budgetary systems and the potential benefits of them to a business that is creating, in effect, three separate profit centres. The benefits of management by exception resulting from the use of variance analysis were explained – especially useful for a business that is experiencing declining profitability. The potential limitations of a budgetary system were often less well explained or applied. One candidate, however, identified that there may be a lack of experienced managers to be involved in setting and monitoring a budgetary system following delayering. Another answer focused on the potential conflict between the three divisions that might result. Will this, it was queried, be the best way for the organization to work together to solve the problems of the business?

### Question 24

This question led to some interesting discussions about the style of leadership and management that might be most effective in reducing workforce resistance to the change process. Good references were made to the case study – for example, the high levels of loyalty – to both the company and the Trade Union. There was no right or wrong answer to this question and this will be a key feature of Pre-U examination questions in this section. Effective answers balanced one approach of leading and managing change against others but there was, perhaps, a tendency to provide a ‘motivation type’ response rather than one focused on reducing worker resistance (which cannot necessarily be analysed in terms of the standard motivational theories).

*Examiner's tip: Application is a key skill examined through the case study questions. These marks will only be awarded for appropriate references to the business and industry focused on in the case study. If other business examples are used as “application” then marks will not be awarded unless there is a clear attempt to make a contrast with a point identified from the case study business.*

## Section C

### Question 25

This was the least popular essay question – and the poor quality of the few responses to it suggested that candidates would have been advised not to attempt it without having a very clear idea of the link between share prices and corporate strategies.

Most of the answers to this question focused only on the credit crunch and the recession that followed and they did not identify the potential threats – and opportunities – presented to companies or sectors by this substantial and rapid fall in share prices. One impressive example of evaluation was based on the need for disaggregated share price data as not all constituents of the FTSE 100 experienced such sharp share price falls. There were rather weak references to actual businesses that candidates had studied.

### Question 26

This was a popular question and there were some impressive answers to it. The main criticism of many responses, however, was that candidates tried to focus only on ‘outsourcing’ or on ‘location’ without considering the much wider range of threats and opportunities that these two major emerging markets present to UK business. It is unlikely that the full range of issues has been covered if the substantial impact of low priced imported goods into the UK economy from these two countries is ignored completely, for example. Similarly, only a few answers discussed the impact on UK companies of foreign direct investment into the UK from China and India. A wide range of business references were included in most answers.

### Question 27

This question was also popular and led to some very good answers. A full range of issues was frequently discussed and weighed up and these were effectively exemplified by useful business references. Evaluation was often shown when discussing the types of businesses most likely – or least likely - to gain from international relocation. The importance of recognizing and responding to cultural differences with the 'home' country was frequently stressed too.

*Examiner's tip: Application is not the same as analysis or evaluation! Candidates often used a business example to illustrate a point before this issue had been analysed or discussed. For example, there were several references in **Question 27** to the case of Dyson transferring production to Malaysia. This is good – but the example itself does not provide an **analysis** of the cost and productivity advantages of operating in low wage economies with highly motivated workers – with opportunities of economies of scale if production scale increases. Similarly, a mere statement of the example does not make the evaluative points about the potential additional costs of transport and quality supervision that might be incurred from this type of relocation. Make the point first, analyse it fully, discuss it and weigh it up – and then use the example to support your reasoning.*

### Question 28

This led to some interesting and very varied responses. Many of the examples given stressed the need for leadership styles to be adapted to different businesses and business situations. This was an appropriate line of argument to adopt but it still needed further discussion before it could be made to effectively answer the question set. The question was really asking for an evaluated consideration of what other factors might determine business success other than leadership and this would then have allowed a contrast to be made with those business examples of success that seemed to be largely due to effective leadership.

### Overall

Business and Management assessment has made a most effective start! This paper stretched and challenged the most able candidates, yet allowed weaker candidates to demonstrate what they knew and understood about key business concepts. The Centres that entered candidates in this session should be proud of the part they have played in the success of this new and exciting learning and assessment initiative. They will be joined by others next summer who will, hopefully, gain from the experience of the pioneers and careful reading of this summer's papers, mark schemes and Principal Examiners' reports.



# BUSINESS AND MANAGEMENT

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Paper 9771/02  
Strategic Decisions

## General Comments

The first examination of Strategic Decisions enabled effective differentiation between candidates. The case material was shown to be accessible to the candidates and some produced consistently excellent answers. It appears that candidates did not feel any time pressure and this enabled very effective use of the case material by many candidates. It is clearly evident that a majority of candidates had been well prepared for the examination and were familiar with the assessment rubric and structure of this paper. Centres should be acutely aware that the examinations will have a substantial quantitative element. Many candidates struggled with the calculations and the interpretation of the data.

## Comments on specific questions

### **Section 1**

#### **Question 1**

- (a) This question was not well answered. The concept of advertising elasticity of demand was often confused with price elasticity of demand. The concept of elasticity is clearly identified in the syllabus (section 2.3) and the requirements clearly stated. Some candidates attempted the question but got the formula incorrect. Candidates should show all their working and include the formula as this can access some of the marks. A significant minority gained no marks for this question.
- (b) This question proved even more problematic than **Question 1(a)**. This question was completely ignored by some candidates. It was pleasing to see many candidates get full marks for this question. The best candidates tended to show the formula, indicate all the working and then give the final answer. Such an approach enabled some marks to be awarded even if the final answer was incorrect. Candidates were expected to include the negative sign as this is a crucial aspect of the answer.

Quantitative techniques will continue to be a core element of the Business and Management examinations. Candidates must develop competency and confidence in the calculation of business data. It is equally important that candidates can interpret the results of these calculations.

- (c) This question differentiated particularly well. The Own Figure Rule (OFR) was applied if candidates did not get the correct answers to **Questions 1(a)** and **1(b)**. The question required candidates to interpret the relevant elasticity value and then comment on the potential usefulness of the coefficient to BT. The very best answers tended to provide definitions, comment on what the values actually meant and then suggest how BT could use that information to shape strategic decisions.

Centres and candidates should familiarise themselves with the assessment objective rubric in the published mark schemes. It is vital that candidates structure their answers to meet the specific requirements of particular questions and the relative weightings of the assessment objectives.

- (d) This question proved to be very accessible. Candidates who had performed poorly in the earlier questions tended to do much better on this question. Many different pricing strategies were analysed and clear knowledge of this material was evident. Some candidates did include 'price fixing' agreements with rivals as a potential strategy and this showed a lack of understanding. The best candidates tended to cover no more than two potential elements of a pricing strategy and analysed these in clear case context. The highest assessment objective available was analysis

and some candidates wasted time by offering evaluative statements that the mark scheme did not reward.

A definition of the key term(s) in the question can be a good introduction to an answer. Some candidates offered a concise definition of the term 'pricing strategies' and this usually enabled the knowledge marks to be secured and gave the answer the beginning of a clear and effective structure.

## **Section 2**

### **Question 2**

The question was deliberately open ended. Accordingly candidates approached the question from different perspectives. Overall the question was well answered by most candidates. The very best tended to manipulate the case study data provided and provide clear analysis of how this informed the decision to consider BT a success or otherwise. Some candidates used relevant ratios and compared them over the period of the accounts and then analysed the significance of the data. It was pleasing to see that most candidates gave a balanced account and considered evidence to support the idea of BT as a successful company and vice versa. A large number of candidates identified the issue of defining success and this was rewarded appropriately. The BT case study gave a large amount of relevant information that could be used and it was pleasing that nearly all candidates engaged selectively with the case study.

Candidates need to be wary of using other business examples on this paper. Whilst this is an essential part of section 3 on Paper 1, it is wise to avoid this on Paper 2 or use very sparingly to exemplify a point.

### **Question 3**

This question was generally well answered. Candidates engaged with the case material to present feasible strategies that BT could adopt in response to a prolonged worldwide economic slowdown. The best answers tended to focus on no more than three potential elements of a strategy and then evaluated the proposals throughout the answer. The assessment rubric for this question is heavily weighted towards the skills of analysis (8 marks) and evaluation 8 (marks). The most popular answers tended to focus on cost reduction strategies but other equally valid strategies were presented.

### **Question 4**

This question proved very challenging for a significant minority of candidates. The best answers acknowledged that the simultaneous achievement of cost reductions and improvements in customer service could be a difficult balancing act. Some candidates proposed expensive strategies such as television advertising to inform customers of BT's record for customer service. This was a common theme in some candidates' work which tended to ignore the cost reduction element of the question.

## **Summary**

This paper achieved its aim of differentiating candidates. The feedback so far suggests that candidates enjoyed engaging with the data and using a 'real world' business as a case study. The 3 hours duration of the paper gave candidates sufficient time to absorb the case information and not feel rushed when answering the questions.

# BUSINESS AND MANAGEMENT

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**Paper 9771/03**  
**Personal Investigation**

## General Comments

This first session of Personal Investigation produced a very varied selection of titles and overall responses. The better candidates had clearly studied the marking criteria and therefore included all the required elements in their investigation: a detailed bibliography, critique of research methods and overall evaluation of the investigation and solutions. At the other end of the scale were some very brief, descriptive reports, which struggled to really address the business situation or problem. The word limit was generally adhered to and helped to keep most reports focused and concise. There was little evidence to suggest that candidates felt constrained by the 3500 word limit and many included substantial information in the appendices.

The best Personal Investigations had:

- taken account of comments provided when the original title was submitted;
- demonstrated a clear and logical structure;
- presented a question as a title and the question was clearly answered in the conclusion;
- set clear objectives, in terms of what needed to be found out;
- used a sufficiently wide selection of primary and secondary sources;
- applied a range of business theories in context;
- included detailed financial or other numerate analysis, with supporting figures;
- evaluated the strengths and weaknesses of methods and solutions;
- included footnote references and a comprehensive bibliography;
- made good use of appendices.

## Comments on specific sections and skills

### 1. Title Submissions and Appropriateness

Most candidates submitted titles in time and made some use of CIE feedback, which made the submission of a Personal Investigation outline a useful exercise. In a few cases, though, comments and advice were not taken account of and in a number of other cases the 'problem' did not really seem to exist in the views of business owners. The importance of a title which is fine enough in focus, but offers enough breadth for substantial analysis, cannot be overestimated – as evidenced by many of the better reports.

### 2. Knowledge – The Problem in Context

Most candidates identified the business problem or issue clearly, but many did not make it clear as to the implications of not solving the problem.

### 3. Methodology – Research Methods

Most candidates attempted to use primary and secondary sources and certainly talked about these, but many did not include critique of their own research methods and sources. A clearly set out range of research objectives helped here, as the better Personal Investigations then followed these through and commented on the relative usefulness of their own methods.

#### 4. Analysis and use of business theory

Most candidates made good use of the theory from the course and applied this appropriately to their investigation, although a few less successful reports were too descriptive, as though 'telling a story'. 'Fine focus' was the key to higher level marks here, for instance applying a SWOT analysis to the particular aspect of the business being investigated, rather than to the business as a whole. The best Personal Investigations included a financial or other numerical analysis of the problem or issue and projections for suggested solutions. It was pleasing to see full support for figures in some cases and statement of 'assumptions' made to arrive at results. An 'investment appraisal' approach worked well for some better candidates, who were able to predict future costs and revenue flows as a result of a new capital investment and apply a range of techniques. Candidates who were investigating a new marketing campaign, product or staff member found it more difficult to predict future outcomes. Due to the complexity of some of the numerical analysis, it was a sensible approach to include some details of the calculations in appendices.

#### 5. Conclusions and Evaluation

Most candidates drew some supported conclusions and recommendations from their investigations, but the standard of evaluation was variable. It was pleasing to see conclusions drawn directly from research, even if these led to a negative response to the original proposition, which was sometimes the case. The best candidates separated the investigation conclusions from their recommendations and produced realistic, well thought through, ideas to take the business forward. In a few cases, where the conclusions were brief and no recommendations were offered, candidates scored significantly lower in this section. Likewise, where no evaluation was provided, either of the investigation or the solutions offered, there were significant lost opportunities. In the best reports, thorough critical evaluation was given to both methods and proposed solutions, which was very pleasing.

#### 6. Communication

40 marks were available and most candidates scored relatively well, in some cases increasing their marks significantly. In the syllabus there is a detailed 'grid' with requirements in each level as well as the overall criteria statements. It was encouraging to see that some candidates had studied this information carefully, but unfortunately others had largely ignored it. There was a small number of Personal Investigations which completely omitted the bibliography section, which was clearly outlined as essential in the criteria. All reports were ICT based and generally the standard of presentation was high and well structured, including tables and graphs.

#### 7. Appendices

In most cases candidates adhered to the 6 pages limit and in some cases this section was used very effectively to include carefully selected relevant accounts, calculations, survey results and so forth. In the better Personal Investigations, the appendices were referenced within the report, often using footnotes.

#### 8. Examiner's Tips for Teachers and Candidates

- Before starting, read the marking criteria carefully. Return to the criteria often, as the investigation progresses.
- Take great care with the choice of business and title. Make good use of the 'outline proposal' submission process.
- Set clear objectives.
- Start by analysing financial or other numerical information, this will help establish the way forward for the investigation.
- Focus analysis and results on the part of the business investigated.
- Aim to draw a range of possible conclusions or solutions to the business problem.
- Make sure that recommendations and critical evaluation are included in a separate section.
- Make good use of appendices to supplement the main body of the report.
- Include a fully referenced bibliography.