Specimen Paper Answers – Paper 4

Cambridge International AS & A Level Business 9609

For examination from 2023

Contents

Introduction

These specimen answers have been produced by Cambridge ahead of the examination in 2023 to exemplify standards (high) for those teaching Cambridge International AS & A Level Business 9609. We have selected questions from Specimen Paper 4, Questions 1 and 2.

The marks given are for guidance only and are accompanied by a brief commentary explaining the strengths and weaknesses of the answers. Comments are given to indicate where and why marks were awarded, and how additional marks could be obtained. There is also a list of common mistakes and guidance for candidates for each question.

The specimen materials are available to download from the School Support Hub.

2023 Specimen Paper 04

2023 Specimen Paper Mark Scheme 04

Past exam resources and other teaching and learning resources are available from the School Support Hub.

Details of the assessment

Paper 4 Business Strategy

Written paper, 1 hour 15 minutes, 40 marks

Two essay questions based on a case study.

Questions are based on the A Level subject content; knowledge of material from the AS Level subject content is assumed.

Externally assessed

20% of the A Level

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
• using appropriate methods and techniques to make sense of qualitative and quantitative business information
• searching for causes, impact and consequences
• distinguishing between factual evidence and opinion or value judgement
• drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

Assessment objectives as a percentage of Paper 4

AO1 Knowledge and understanding   15%

AO2 Application   10%

AO3 Analysis   40%

AO4 Evaluation   35%

Question 1

Evaluate RF's strategy for growth between 2008 and 2019.

Specimen answer

A strategy for growth is a plan of how a business increases in size or scale. RF grew in a number of different ways between 2008 and 2019.

Part of RF's strategy was internal growth by reinvesting the profit of the business to purchase the factors of production. For example, between 2008 and 2014 RF purchased land to expand the growth of sugarcane, pineapples and mangoes. Any profit made was reinvested. Likewise, RF purchased a new building in 2018. The benefits of internal growth are that RF can produce more products at a lower average unit cost (economies of scale). This is likely to have increased the profitability of RF and, in the long run, the profits of the business. Up until 2016, this also increased John's wealth because he was the sole owner and beyond 2016 it would have increased the value of the shares and dividends of the business. However, because the profits were being reinvested, John and the shareholders may not have benefitted. This might have been especially bad for the shareholders as many of them may have only purchased RF's shares for dividend and share price. This can be particularly seen in the reduction in profit between 2015 when RF made $2m and 2018 when RF only made $0.6m, a reduction of 70%. However, as it is a private limited company, they could not sell their shares on the stock market, so it is unlikely to have affected the share price.

RF also successfully used external growth by taking over the neighbouring farm in 2016. The benefits of external growth are that it is a quick way to grow the business. RF gains all the production facilities of the neighbouring farm, as well as its customer base. However, there are significant differences in how the two farm's human resources are managed. With RF using hard HRM and annualised contracts and BKL using soft HRM and flexi-time contracts. By trying to move the BKL employees into RF's culture, many BKL employees chose to leave, leading to recruitment problems for RF. This impacted on productivity and, in a labour-intensive primary sector business, such as a farm, this is likely to have a significant effect. Without enough employees, not only will productivity have fallen, so will production, sales and the profit of RF. The shareholders are likely to have received no dividends, thereby affecting their income.

RF financed the takeover using a bank loan and conversion to a company. Whilst this provided quick finance for the expansion, it also significantly increased the gearing of RF (from 5% in 2015 to 30% in 2016). Likewise, the internal growth of purchasing the new building in

2018 also used external growth (a mortgage), giving RF a gearing of 60% which is considered highly geared. This means that the growth strategy led to increased risk and was possibly a contributing factor in the business being unable to survive the fire in 2020.

Overall, RF's strategy led to significant growth. For example, the new building increased RF's inventory capacity by 300%. Likewise, the purchase of BKL, despite having HRM issues will have added a significant amount of land, one of the most important factors of production for a primary sector business. The internal growth seemed to be less risky for the business, especially in the 2008–2014 timeframe than the external growth which added risk to the business.

However, as an overall strategy including both internal and external growth, RF grew in size and scale, but ended 2018 with lower profit for the year. Likewise, the return on capital employed was lower in 2018 compared to 2015. This suggests that although RF increased its size and scale, the business was less successful because of the growth strategy.

The overall success of the strategy for growth cannot be fully evaluated because of the fire which destroyed all of RF's buildings and inventory. The risky elements of the growth strategy had already happened but the return on this strategy is unknown because of this crisis. It is likely that if RF had continued to trade, it would have been able to make use of the growth, reduced its gearing and increased profit in the future. However, this cannot be known and would have depended on many external influences such as the state of the economy and social trends in food production.

Total marks awarded = 18 out of 20

Examiner comment

AO1 knowledge and understanding marks are split into two levels; limited at Level 1 and developed at Level 2. Limited knowledge is awarded when a candidate makes use of or shows knowledge from the syllabus, often in a definition. The first sentence of this response is a good example of limited knowledge as the candidate has shown their knowledge of what a strategy is.

However, to be awarded developed knowledge, the candidate must use the key terms or factors as part of the answer. A good example of this is in the third paragraph, where the candidate does not just define external growth, but shows that they know a benefit of it as being quicker than internal growth. Likewise, in the same paragraph the candidate links hard and soft HRM to knowledge of culture. Again, this is clearly developed knowledge. The candidate is awarded 3 out of 3 marks for AO1.

AO2 application marks are also split into two levels: limited and developed. Limited application is awarded when a candidate selects a relevant piece of the given data, in this case RF. However, one of the key skills needed in this paper is the ability to focus on the most relevant data and use it in developing arguments. Often this requires data to be compared or used in some way. This is developed application. For example, in the second paragraph, the candidate applies their knowledge of internal growth to the data by stating that RF reinvested their profits from 2008 and 2014 to produce more sugarcane, pineapples and mangoes. However, this application is not developed. Whereas, later in the second paragraph the candidate develops the application by linking the internal growth to the ownership of RF, a sole trader up until 2016 and a company after this point. By using multiple pieces of context, the candidate shows developed application. This

developed application occurs again at the end of the third paragraph where the candidate links the context of the difficulty in recruiting employees after the takeover with the ownership of the business. The candidate is awarded 2 out of 2 marks for AO2.

AO3 analysis marks are split into three levels. Limited analysis is when a candidate identifies an impact or effect of something. In this question it would be the impact or effect of an element of the strategy for growth. For example, in the third paragraph the candidate shows an effect of RF's external growth, that it increased RF's production facilities and customer base. This analytical point is not developed because it does not go any further in the chain of analysis.

Level 2 is about developing the analysis of an individual element to show a chain of impacts or effects. If the previous point had continued to show the effect of increased production facilities and customer base, then it would have been awarded Level 2.

Analysis can be seen to develop from Level 1 to Level 2 in the second paragraph. Level 1 is awarded when the candidate states the effect of internal growth is a lower average unit cost for RF. This is then developed further to show increased profitability and profit for RF and even further into the likely effects on the owners of RF. This chain of analysis is easy to follow and makes a good argument.

This answer does not move into Level 3 analysis because the overall strategy is not analysed. This is one of the most difficult elements in a strategy question because it requires the entire strategy to be analysed, not just the individual elements. The difference is similar to analysing a car. If one analyses the engine, then the tyres and then the bodywork as individual elements, then this is similar to Level 2 analysis. However, Level 3 analysis requires analysis of the car as a whole.

Overall analysis is most likely to occur at the end of a response in the lead up to an overall judgement. This response omits this step. To reach Level 3, the candidate would have needed to analyse the benefit(s) and/or strength(s) of the overall strategy including both the internal and external elements, before their evaluation of the overall strategy. For this response, the candidate is awarded 6 out of 8 marks for AO3.

Good evaluation does not just happen at the end of an answer. The entire answer should be directed towards evaluation, and it can be rewarded at any place in an answer. Evaluative comments allow judgements to be made. For example, in the middle of the second paragraph the candidate writes that the internal growth strategy might be 'especially' bad for the shareholders. This is an evaluative comment and can be drawn upon later in the answer as part of an overall judgement.

35% of the total marks for this question are awarded for evaluation. Many candidates try to gain these marks with a relatively short paragraph at the end of their answer, but it needs to be a significant part of the answer throughout. This response gains all the AO4 marks by providing evaluative comments in each argument and a significant evaluation, in context, of the entire strategy. There are no Level 2 AO4 marks in this response because the overall judgement/conclusion draws together the previous evaluative comments and develops a judgement about the entire strategy. All this is specific to RF, rather than generic, which is one of the main differentiating factors between Level 2 and Level 3. All 7 out of available 7 marks for AO4 are awarded.

Common errors and general guidance for candidates

Many candidates write definitions at the start of their answer. However, this is not an effective way of gaining AO1 marks. Regardless of how many definitions are written, this can only gain a single AO1 mark. Using key terms is the way to access Level 2 AO1 marks.

There is a wealth of data about the business given to candidates in this paper. Candidates are not expected to use all of it and in fact those who attempt to do so will quickly run out of time. The key is to choose which pieces of data are best to make the arguments that the candidates have chosen to use. It is expected that different candidates will use the data in different ways, much like how different stakeholders of a business will interpret data in different ways. A candidate may use data from each source, whilst another may choose to focus on what they consider to be the most important data. Candidates must be selective over what they use and how they use it to be successful in this exam.

There is a tendency for candidates to see analysis (A03) as a set of hoops, each higher than the next, to jump through. Candidates sometimes wrongly assume they must achieve Level 1 before Level 2 and then

Level 3. Whilst this is a reasonable approach, excellent candidates focus only on achieving the top level. There is no need for a candidate to show limited analysis or analysis of individual elements of a strategy where there is good, developed analysis of the overall strategy. In a time-limited paper, focusing on analysing at Level 3 is the approach more likely to achieve higher A03 marks.

To support evaluation (AO4), each argument in a response made should have evaluative comment attached. If an argument does not lead to evaluative comment, then it is not being used to fully answer the question. The evaluative comments can then be drawn together into an overall evaluation at the end. While it is not essential to have evaluation in each point as well as an overall conclusion, it is more likely to gain all the AO4 marks if it appears in more than just the conclusion.

Evaluation is not a summary. There is never a need to repeat previous arguments, as this only wastes precious exam time. Summarising what has already been stated is not the skill of evaluation. For example, if you were asked to evaluate your pen, describing it and then repeating your description does not answer the question. The point of evaluation is to make a judgement. In other words, is the pen good or bad at the task to which it is being applied? Is the pen better than a pencil? How much better is it? Should you have bought a different pen? Does your judgement depend on anything? These are evaluative questions that a candidate needs to address in their response.

Question 2

Advise Sue on which approaches she should use to develop a new business strategy for RF2.

Specimen answer

Strategic management involves the analysis, choice, and implementation of a plan to reach an objective. Sue wishes to achieve 'profitability through sustainability' with a number of specific business aims. To do this, Sue will need a range of approaches to perform a strategic analysis.

Firstly, Sue could analyse RF as a business including what resources the business currently has. SWOT (strengths, weaknesses, opportunities and threats) and core competencies (what the business is good at) analysis could be used to do this. Sue, as John's daughter, would have a good knowledge of the elements of RF that still exist after the fire. This should allow her to understand what the business has and what the business is good at. For example, she has lived in a farming family, so her analysis will utilise her knowledge of farming and market opportunities. However, because it is a dynamic business environment, an internal analysis of RF is unlikely to be much help in designing a new strategy, especially since the buildings and inventory has been destroyed. It took John 20 years to build up the business in this primary sector and Sue may be better to look for a new market opportunity which will not be found by looking at what the business used to be good at.

Therefore, in this situation, SWOT and core competency analysis alone is unlikely to be beneficial to Sue because she is starting and should focus on a new market.

Sue needs approaches which will help her find a new target market utilising the land that she has. Ansoff's matrix could be used to balance out the risk that Sue wishes to take against the market opportunities. For example, if Sue wishes to take a balanced approach, then she could use market development and use the land to produce sugarcane (as John did) but focus on the international market which is growing. If she can focus on sustainability and use less water, this may make RF more attractive in the international market.

Once Sue has chosen the business direction, she could use market research to develop a five forces analysis. This would allow her to analyse the relative opportunities and dangers of the market so that she can develop a relationship with the suppliers and the buyers.

Lastly, Sue could try something totally new by implementing a blue ocean strategy. This would involve finding a gap in the market without any competition and gain a new target market. The benefits to this are that she may be able to charge high prices due to the lack of competition and have high profitability to re-invest in the business. However, it is not easy to

find an undeveloped market especially in the primary sector where most things have been done before.

I advise Sue to use a combination of approaches to develop a new business strategy for RF2. She should start by conducting a SWOT and core competency analysis to understand RF2's situation. Then she should use Ansoff's matrix to decide on the level of risk and then look for a blue ocean strategy to maximise profitability. The combination of these approaches should allow Sue to understand the market and find a strategy that will best utilise RF2's resources and are most likely to achieve her mission of profitability and sustainability.

However, using these approaches will take time that Sue may not have. Farming is a seasonal industry and if Sue spends too much time analysing the situation without production, then RF2 may not be able to pay its indirect costs, such as the mortgage and bank loan, and this could lead to the company going into administration.

Whether these approaches will lead to success for Sue will depend on how urgent the new strategy actually is. If Sue has enough funds to do a full analysis of the business and market, then these approaches are most likely to bring success. However, if RF2 must start production quickly to pay its debts, then Sue might need to stick to what she knows and go back to the production of sugarcane at least in the short term.

Total marks awarded = 18 out of 20

Examiner comment

For AO1 knowledge and understanding, the difference between limited knowledge and developed knowledge is the difference between knowing something from the syllabus and showing this through a definition and actually using this knowledge to answer the question. This first sentence of this response shows knowledge of strategic management, and this is a good example of limited knowledge. It does not matter how many pieces of limited knowledge are shown in a response, the maximum mark that can be awarded is only 1. Developed knowledge is about using terms and factors from the syllabus in an expert way while answering the question. There are numerous examples in this response as the candidate shows skill in the choice and understanding of the different approaches. This response clearly gains all 3 of the 3 available AO1 marks.

Likewise, AO2 application has two levels. Limited application involves choosing relevant pieces of information from the given data. This response has many pieces of data used, but the candidate has combined the data to show development of this application skill. For example, in the second paragraph, the candidate has combined a number of pieces of the data in the analysis of the approaches; Sue's relationship as the daughter of John, the primary sector in which RF operated, the land given from John to Sue and the time that it took John to build up RF. The candidate has not simply repeated this specific data about RF and RF2 but used it in developing their answer. Again, this response easily achieves Level 2 and gains both available marks for AO2.

For AO3 analysis, the candidate response has some limited analysis of the individual strategic elements. For example, there is some analysis of the likely effects of using SWOT and core competency analysis on the business. In fact, each strategic element has some limited analysis. Despite there not being any developed analysis of the individual strategic elements, there is developed analysis of the overall strategy. This begins in the seventh paragraph (which begins 'I advise..') and the candidate has analysed the advice given as a whole. This is Level 3 developed analysis and shows a greater skill than simple analysis of each element. It

is not necessary for a candidate to achieve Level 2 to be awarded Level 3. In this response, the candidate is awarded 8 out of 8 marks for AO3.

For AO4 evaluation, the candidate has provided some evaluative comment in the body of the response. For example, the third paragraph shows a judgement about the suitability of SWOT and core competency analysis as an approach. There is a clear judgement, which is essential for this type of question. The question calls for the candidate to 'advise' so there must be a judgement for Sue in the response. The judgement is clear and developed in the final paragraph. However, there is a lack of context in the conclusion which means that this remains at Level 2, so only 5 out of 7 AO4 marks are awarded.

Common errors and general guidance for candidates

This question calls for the candidate to give the business owner advice. Therefore, the answer must include a judgement as to what the right advice is in the specific context of the business. Candidates often prefer to give a balanced answer that is non-committal about what the business should actually do. This is unrealistic, as in a real business scenario, when a management consultant is asked to advise a client, the client expects a judgement. This is how a candidate should approach this type of question and a judgement is expected in a good answer. This means that there are many different ways of answering the question and the examiner is not looking for a 'right' answer, but to reward the skills that the candidate shows.

Candidates are often used to analysing individual elements, such as particular approaches. However, the best responses to this type of question demonstrate the ability to make a judgement and then analyse the pros and cons of that judgement. Again, this means that there is no 'right' answer, and any relevant approach could be used as part of the answer.

Although AO2 application specifically rewards the use of the data in the answer, context is also required in AO4 at Level 3 evaluation. A generic judgement is of little use to a business and good candidates will make their judgement specific to the business itself.