BUSINESS AND MANAGEMENT

Paper 9771/01
Business Concepts

Key messages

- Few candidates appeared to be under a time constraint.
- Good evidence of effective subject content understanding from most centres but some ***Section B*** answers would have benefited from a clear explanation of the subject specific concept being examined by the question.
- One candidate left a 'blank' instead of answering all multiple-choice questions.
- One candidate marked two crosses for one multiple-choice question so a mark could not be awarded.
- Application of answers to the case study material in ***Section B*** shows some improvement.
- A few candidates from some centres needed to refer to significantly more business contexts in their essay answers.
- There were some effective responses to all essay questions.

Section A

The mean result on this section was 12.0 – just slightly less than 2018. The highest score was 20 (one candidate) and the lowest was 6 (one candidate). The questions producing the highest proportion of correct answers were **1**, **2**, **9** and **10**. The lowest proportion of correct responses were recorded for **Questions 8**, **13**, **15**, **16** and **18**.

Section B

Question 21

(a) (i) Many correct answers were produced. Some showed the correct formula but made an arithmetical error. Some answers just showed a result – often incorrect – without any formula and so could not be rewarded at all.

(ii) Similar correct response rate to **part (i)**. This concept is clearly well taught by some centres.

(b) There were many well-argued answers to this question. They showed an understanding of the importance of this planning technique especially to a business that has not been involved in such a construction project before. The best answers made use of the float times from **part (a)** to suggest that resources from these activities could be switched to critical activities to ensure their completion on time. Such responses showed good understanding. Some answers were all 'positive' in support of the use of CPA for this project but as they often explained in detail why it was important to the business they were rewarded for evaluation. A more typical response explained not only the benefits of CPA but also considered some if its limitations which could restrict its importance and usefulness in this case.

Question 22

The quality of answers to this question varied greatly. Some were not able to explain the concept of organisational structure at all. This clearly limited those candidates' ability to make meaningful suggestions for improving the organisational structure of the case study business to meet the Chief Executive's objectives. The oldest advice is usually the best – start all answers with a clear definition of the subject specific term in the question.

In contrast, some were able to clearly relate the problems identified by the Chief Executive with the businesses organisational structure, especially subsequent to the recent merger. The changes to the organisational structure suggested in these answers often focused around delayering but also included the

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possibility of introducing a matrix structure or a structure that allowed for some decentralisation. The likely impact of the proposed changes on meeting the CEO's objectives were then often explained in detail. Evaluation was often evident in the form of assessing the impact of proposed structural changes on the managers and other employees likely to be most affected by them.

Question 23

This question also led to a wide range of responses. The weakest answers did not contain an explanation of the concept of break even. Several candidates needed to focus much more on explaining the potential benefits of using the technique in decision making. The best answers showed a clear grasp of break-even analysis, including margins of safety and the range of profitable output, and applied this understanding to the choice faced by the directors of AC. Most candidates who had shown some understanding of the technique were able to demonstrate a critique of it, in the context of this business and developed the point that the data on which it was based were of questionable accuracy. Some candidates examined the need for other data and a consideration of other decision-making techniques such as investment appraisal before taking a major decision such as the one in the case.

Question 24

The best answers started with an accurate explanation of at least one pricing strategy. The use of cost-plus pricing in the context of a weak market demand for luxury apartments was often criticised but some candidates suggested, reasonably, that perhaps the pricing method was appropriate but that the mark up was too high. Other pricing methods were explained, most commonly competitor or market-based pricing strategies. The impact of these on AC's profit margin and the luxury image of the apartments were explained by many candidates. A clear and supported overall recommendation was required by the question and the best answers included one as well as reasoning for rejecting other pricing strategies.

Section C

Question 25

Some responses to this question demonstrated a very clear understanding of the concept of quality in business and the importance of considering 'customer expectations' when discussing it. There were some very relevant business references in a few answers, notably those which allowed a discussion of whether customers are likely to want to 'negotiate on price' if quality falls below expectations. The best answers attempted to demonstrate that if quality falls below expectations some customers will just 'walk away' from the product and not attempt to obtain a price reduction. In such cases the impact on brand identity and image were often examined in detail. Some weaker answers focused on quality and how this might be achieved within the operations of a business and did not attempt to make a link to 'customers negotiating on price'.

It was encouraging to see that some candidates attempted to use business examples drawn from the service sector, recognising that the issue of quality is certainly not just a concern for manufacturers.

Question 26

This was the most popular essay question. Many answers began with an explanation of why businesses might need finance and the different types of finance that might be required e.g. long term or short term; internal or external. A wide range of factors influencing the 'finance choice' were considered and the better answers showed an excellent understanding of gearing and legal structure of business, for example. Some candidates were struggling to include relevant business examples into their answers suggesting that this very important syllabus content area had not been examined through the use of actual case study examples. There was a tendency to repeat material when attempting to evaluate the key factors. However, the best answers highlighted the need for a business to examine carefully the reasons why it needs finance and the risks it is prepared to take when making the final 'finance choice' decision.

Question 27

This was a much less popular question but it still produced a wide range of responses. The weaker answers were not able to suggest any likely 'business objectives' and did not make any attempt to link objectives to business strategy. Better answers often explained how objectives, especially those that are specific and measurable, can provide the target for business strategies to aim for. Some candidates were then able to explain the clear benefits of setting objectives within different business contexts. The importance of adapting

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objectives to changing circumstances, such as new competitors entering the market or fluctuations in macro-economic forces, was evaluated in the best responses.

Question 28

This was a popular question and candidates, almost without exception, were able to show understanding of the work and role of the human resource department in a business. The importance of the specific roles of HRM were generally well explained and candidates were often able to incorporate a range of contrasting business examples. Relatively few answers considered the idea that HRM should be aiming to assist the business achieve its overall objectives and that this might require a cost saving approach to the management of employees – sometimes referred to as 'hard HRM'. However, most answers showed a clear understanding of how effective HRM can contribute towards business success by, for example, improving motivation and reducing labour turnover. Several answers questioned whether HRM was the most important functional department to many businesses and this then became a well-developed form of evaluation.

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BUSINESS AND MANAGEMENT

Paper 9771/02
Strategic Decisions

Key messages

- Candidates generally managed their time effectively but there was some evidence of time pressure in candidates' final answers.
- Candidates and centres are generally responding to the advice offered in previous Examiner Reports.
- Candidates need to read the question carefully. This was especially the case on **Questions 1(c)** and **3**.
- Many candidates are still not confident with the quantitative elements of the course. This was evident in **Questions 1(a)** and **1(b)**.
- Some core concepts such as price elasticity of demand are still problematic for some candidates.

Comments on specific questions

Section 1

Question 1

(a) This question was relatively poorly answered. The best approach to answer a question such as this is to write out the formula, clearly show all working and then finally offer an answer. Many candidates did not know the formula or did not state it. Additionally it was evident that when the formula was known candidates did not know how to calculate net assets.

(b) The interest cover ratio proved less problematic for candidates. Many candidates who did not get **Question 1(a)** correct did answer this question successfully.

(c) This question differentiated effectively. The OFR rule was applied when candidates used incorrect answers from the previous question. It is very important that candidates fully understand what a particular ratio values means for a business. A small group of candidates also commented on both the ratio results and were awarded marks on the basis of their better response.

(d) This question was generally well answered. Many candidates clearly defined price elasticity of demand (PED). The better answers used the case data to calculate that the value was –2.5 and then identified this value as price elastic demand. Unfortunately some candidates confused price elasticity with income elasticity. The better candidates then offered two clearly structured paragraphs with the implications for Next. Candidates are generally following the assessment grid guidance for this question and not providing reasoned judgements/evaluation. Answers were often well applied to the market conditions that Next operates in.

Section 2

Question 2

The first question in ***section 2*** was generally well answered. The better candidates offered a clear definition of inflation and then proceeded to offer two or three clear strategies. The very best answers had a clear logical order to the strategy and the paragraphs offered a coherent and realistic plan of action.

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Question 3

This question was also dealt with effectively by many candidates. A common framework was to use elements of the marketing mix such as price and product. Unfortunately some candidates wrote a marketing strategy for Next as a whole and did not focus on the Next Directory. There was some good application to use of social media/apps etc.

Question 4

This type of question has appeared in previous Strategic Decisions papers. Most candidates offered a balanced view and made a case that Next was/was not a good investment for long term investors. The best answers followed the command word to use calculations but also started with a review of the shareholder ratios. It was particularly pleasing to see some candidates calculate the dividend yield (3.6 per cent) and also the dividend yield if the special dividend was included (7.7 per cent). Some evaluation focused on what type of investor might be considering the purchase of Next's shares and how the objectives of investors influence share buying decisions.

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BUSINESS AND MANAGEMENT

Paper 9771/03
Personal Investigation

Key messages

- In general, the highest marks are gained by candidates who really engage with the business in question and avoid a generic, formulaic approach.
- To score high level marks in the 'Problem definition' section, the business problem or development decision must be clear, specific to this business and outlined in detail and linked with the title, including which stakeholders are impacted and specific future implications of failure to solve the problem. The research question or problem must be clearly reflected in the research objectives.
- To score high level marks in the 'Secondary research' section, sources should be clearly outlined and include academic sources, such as articles and trade magazines. All sources must be relevant to the context, cited and different perspectives from these should be compared. It is also useful for rejected sources to be specifically described, as well as the reason why they were felt to be unsuitable.
- To score high level marks in the 'Primary research design' section, a good range of different primary sources should be identified and appropriately selected. They should be justified in terms of relevance to this specific investigation. There should also be a clear account of other primary sources which were considered and rejected, together with reasons why they were felt to be unsuitable.
- To score high level marks in the 'Carry out primary research' section, enough good quality data must be collected, and results displayed, from a range of sources. The meaning of the data should be clear and relevant to the question and possible solutions. Issues and critique of the specific data collection must be discussed, such as specific limitations of a sample or possible biases of an interviewee.
- To score high level marks in the 'Discussion and use of data' section, relevant business theory concepts should be used accurately and with specific relevance to this business problem and proposed solutions. Analysis must use both written and numerate techniques, with any figures fully supported by research results and explained in context. Analysis should be finely focused on the business problem and proposed solutions.
- To score high level marks in the 'Conclusions and recommendations' section, a range, (realistically two or three) solutions should be evaluated and recommendations should be offered, with a separate section evaluating the strengths and weaknesses of data, solutions and investigation. Wider issues should also be considered, for instance external factors affecting this business's future success. A good example of this would be technological changes, such as more online selling or business and financial uncertainty, due to 'Brexit'.
- The 'Communication of business research' section assesses how the report communicates the problem, research, conclusion and recommendations. High levels may be gained by submitting a fully ICT based report, which includes different sections, following the norms for academic research, including report section numbering. An abstract should be a brief overview, similar to an executive summary and include conclusions reached. Complex arguments must be well analysed, organised and relevant to the investigation. There should be a detailed Harvard referenced bibliography. It should be noted that the marks in this section also depend directly on the quality of the previous sections and the way the report has a logical structure and fits together as a whole. The sections should be logical in order and fully focused on the investigation, containing little irrelevant information. It is not necessary to include parts of the syllabus that are not directly relevant to the investigation.

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General comments

The Personal Investigation reports produced, once again this year, a very varied selection of titles and responses to the task. The best investigations focused on a clearly identified problem, or area for development and discussed a range of different solutions, rather than just a yes/no to a suggested possible single option for the business. The better candidates had also clearly studied the marking criteria and therefore included an abstract, a detailed Harvard referenced bibliography, critique of research methods and overall evaluation of the investigation and solutions offered. However, in a very small number of cases, reports were descriptive, lacking detailed analysis and sometimes opportunities for secondary market information and numerical analysis, that would have been easily available, were missed. Where candidates were unable to obtain financial data from the business investigated, this sometimes limited their analysis and evaluation marks. Access to information, especially financial information was a key factor that differentiated more successful reports, as this gave candidates the opportunity to analyse the financials and impact of solutions. 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 word limit and many included substantial information, including financial analysis and critique of research methods, in the appendices.

The best candidates:

- Had taken account of feedback from the PE when the original title was submitted and it was helpful that printed PIs included the original proposal and feedback.
- Had a clear, logical structure and report numbering.
- Had a question as a title, which was clearly answered in the conclusion and recommendations.
- Had set clear research objectives, linked to the investigation title.
- Used a wide selection of primary and secondary sources, including some critique of actual methods used and comments on rejected methods.
- Had access to and used detailed information from the business concerned, especially financial information.
- Used a wide range of relevant business concepts, clearly and in context.
- Included detailed financial analysis, with figures clearly drawn from research.
- Suggested and evaluated a range of different solutions.
- Evaluated the strengths and weaknesses of methods and solutions.
- Included footnote references and a comprehensive bibliography.
- Made good use of appendices, staying within prescribed limits.

Comments on report sections

- Title submissions and quality

Most candidates chose appropriate businesses, submitted titles in time and made some use of my comments, which made the submission in advance a useful exercise. In a few cases, though, titles were not submitted, or comments and advice were not taken into account. In a few other cases the ‘problem’ or ‘proposal’ was not clear or the proposed solutions investigated were not appropriate, for instance vague relocation or retail set-ups. A few investigations clearly had a ‘foregone’ conclusion, for instance the replacement of outdated or inefficient capital equipment. The importance of a title which is fine enough in focus, but offers enough breadth for substantial supported financial analysis is an important key to success, as evidenced by many of the better reports.

- The problem in context

This should always be the starting point and a ‘realistic’ problem was a feature of all the better investigations. Most candidates identified the business problem or issue clearly, and many also outlined who was affected and the future implications of not solving the problem. This helped to ‘set the scene’ in many reports. Many better investigations also clearly linked the problem with research objectives.

- Research methodology

Most candidates attempted to use primary and secondary sources and included a clear account of these. However, some failed to include specific critique of their own research methods and sources. It was pleasing to see, in many cases an account of methods rejected and reasons for this. A clearly set out range of

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research objectives helped and good use was made of company information and accounts where available. However, wider secondary research, was often limited. Candidates often missed the opportunity to use academic sources, national statistics and news or other reports, which would have been directly relevant to their investigation. Better candidates made attempts to widen the scope of research beyond the identified business and it was impressive, in some cases, to see use of relevant magazine articles, market data, ‘comparison site’ data, such as Trip Adviser and internet articles.

- Analysis and use of business theory

Most candidates made good use of the theory concepts from the course and applied this appropriately to their investigation, although, in a few cases, the amount of theory knowledge across different areas of the syllabus, detracted from the focus of the report. Occasionally, candidates attempted to use theory concepts, such as investment appraisal, inaccurately or inappropriately and missed out on marks in this section. An example of this was inaccurate calculation of break-even, due to misunderstanding of contribution.

‘Fine focus’ was the key to higher level marks here, for instance applying investment appraisal techniques and concepts such as break-even to one or two possible business solutions. In terms of numerate analysis, the best investigations included a financial or numerate analysis of the problem or issue and projections for suggested solutions. It was pleasing to see full support for figures in some cases and sensible ‘assumptions’ made to arrive at results. However, a common reason for lower level marks in this section was unsupported figures used in analysis techniques and also inappropriate use of numerate methods. Due to the complexity of some of the numerate analysis, it was a sensible approach to include some of the calculations in appendices. Accounts which contain figures used should be included as these support the analysis.

In a very few cases, where candidates had not managed to access any financial information or figures, or just quoted figures without use of techniques marks for analysis were limited. It is recommended that candidates consult the business owner and make sure that financial or other numerical data is available before deciding on an investigation. These will probably include financial accounts and projections, but may also include Human Resource related statistics such as staff turnover or absenteeism.

- Conclusions, recommendations and evaluation

All candidates drew conclusions and most suggested recommendations from their investigations. However, the degree of support for these from the specific research 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 and often a realistic outcome. The best candidates separated the investigation conclusions from their recommendations and produced realistic, well supported ideas, to take the business forward. In a few cases, where the conclusions were brief and no recommendations were offered, candidates scored much less well in this section. Likewise, where no evaluation was offered, either of the investigation or the solutions offered, there were significant lost opportunities in some cases. In the best reports, the range of possible solutions and recommendations were realistic and detailed, critical evaluation was applied to actual research and analysis methods used.

- Communication

Most candidates scored well in this section. It was encouraging to see evidence that many had studied the criteria descriptors carefully, for example the inclusion of an abstract. All candidates included a bibliography, with most attempting to use the Harvard referencing system. All reports were ICT based though and generally the standard of presentation was high, including tables and graphs. The best reports used numbered sections and headings, had a logical structure and focused clearly on the investigation objectives, including an abstract at the start and ending with realistic conclusions and recommendations, including wider issues.

- Appendices

In most cases candidates adhered to the 6 page limit and in some cases this section was used very effectively to include accounts, calculations, survey results and research critique. In the better investigations, the appendices were referenced within the report, often using footnotes.

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Principal Examiner's Tips for Teachers and candidates

- Before you start, read the marking criteria carefully and return to this as your investigation progresses.
- Take care with your choice of business and title – make good use of the submissions and approval process.
- Establish a contact within your identified business, to help you during the process of identifying the problem and potential solutions.
- Make sure that you can clearly identify a business problem or proposal that is directly relevant to the future performance of the business concerned.
- Try to avoid 'foregone' conclusions, such as replacement of inefficient or out-of-date capital equipment, such as ovens.
- Set clear objectives and return to them in your conclusions.
- Make sure that you use a good range of primary and secondary research sources, including those outside the business, such as trade magazine articles, national statistics, population figures and economic trend data.
- Ensure that you are aware of current external factors, such as increasing use of on-line selling in retail.
- Start by carrying out analysis of financial or numerate information, this will help you establish the way forward for your investigation.
- Ensure that you understand and can apply theory concepts, before including them in your analysis, especially numerate techniques, such as Investment Appraisal. Do not include financial analysis for which you cannot explain its use or relevance to the analysis.
- Focus your results and analysis on the part of the business you are investigating.
- Aim to draw a range of possible, realistic conclusions or solutions to the business problem and discuss strengths and weaknesses of each. Do not limit yourself to a single yes/no solution. Do not be afraid to conclude with a negative recommendation, this is often the case when entrepreneurs investigate options for growth.
- Make sure that you include your recommendations and critical evaluation in a separate section.
- Make good use of appendices to supplement your report, especially where you can support figures used in numerate analysis.
- Include a fully referenced bibliography, Harvard referencing system is best practice.
- Lastly, check your report for correct spelling and grammar, as well as logical sequencing of sections.

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