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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Case Study **May/June 2021**

MARK SCHEME

Maximum Mark: 100

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse the advantages to PGC of using enterprise resource planning (ERP).

<table>
<tr><th>Level</th><th>Knowledge
3 marks</th><th>Application
2 marks</th><th>Analysis
5 marks</th></tr>
<tr><td>2</td><td>3 marks
Knowledge of ERP and two benefits</td><td>2 marks
Two points applied to PGC</td><td>3–5 marks
Good use of theory and/or reasoned argument to answer question</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge of ERP and benefit (2)
Knowledge of ERP (1)</td><td>1 mark
One point applied to PGC</td><td>1–2 marks
Some use of theory and/or reasoned argument to answer question</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td></tr>
</table>

Knowledge

- ERP is using dedicated software to integrate orders, materials, labour and distribution to minimise cost, reduce inventory levels and waste
- ERP enables customer orders to match raw material supplies to enable JIT
- ERP can improve a business' efficiency in relation to: inventory control, costing and pricing, capacity utilisation, responses to change, management information
- Benefits of ERP
  - Helps with inventory control.
  - Reduces cost of ordering and holding inventory.
  - Links information between departments – management information.
  - Choosing best suppliers and most cost-effective suppliers and supporting JIT manufacturing.
  - Allocating jobs to appropriate production employees.
  - Forecasting demand.
  - Improved efficiency in terms of costing and pricing.
  - Improved efficiency in terms of capacity utilisation.

</td><td>10</td></tr>
</table>

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Question	Answer	Marks
1	**Application** • Supplies of coffee beans, roasting, packaging ground coffee. • Customers are 600 small retail outlets. • Too much inventory is being held. • Customers expect fast delivery. • Coffee is wasted by being stored too long. • New roasters. • Possible expansion plans include cafes, selling tea. • Expansion plans rely on reducing costs. • Link to mission statement 'Quality coffee for everyone when they want it'. • Selling price per tonne drops from $20 to $10 once ground coffee is 7 months old and to $0 after 12 months. **Analysis** • ERP enables customer orders to match raw material supplies to enable JIT. This will reduce PGC costs of storage and reduction in value of ground coffee due to ageing. • Enables PGC's orders to be delivered quickly, providing better customer service and meeting customer expectations of fast delivery. This will help retain customers • Might enable quick decisions on marginally priced orders increasing profitable sales • Reduces cost of ordering and holding inventory, this will increase profit • All departments can access same information so reduces communication problems that could lead to customer dissatisfaction. • Reduces waste due to deterioration in overlong storage thus improving efficiency • Enables rapid response to change and customised pricing improving customer service • Can be adapted to enable/facilitate expansion or new products • Increases competitive advantage, this may help reverse decline in PGC's market share	

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Question	Answer	Marks
2(a)(i)	**Refer to Table 1 and other information provided. Calculate, using net realisable value, the:** **(i) value of packed ground coffee inventory at 30 April 2021** NRV = saleable value of inventory – cost of selling it (1 mark if no relevant calculation) NRV of ground coffee 0–6 months = 2 × 20 – 0.5 = 39 500 (1) NRV of ground coffee 7–12 months = 1 × 10 – 0.5 = 9 500 (1) NRV of ground coffee over 12 months old = 0 (1) NRV Total ground coffee 0–12 months = $49 000 (4) Other answers: Includes coffee beans $129 000 (3) No subtraction of cost of selling inventory $50 000 (3) Includes coffee beans and no subtraction of cost of selling inventory $130 000 (2) OFR	**4**
2(a)(ii)	**(ii) value of packed ground coffee as a percentage of current assets.** **OFR from 2(a)(i) applies** Current assets = 150 000 49 000 / 150 000 × 100 (1) = 32.7% OR 33% (2)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Evaluate the difficulties for PGC of correctly valuing its inventory.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
3–4 marks</th><th>Evaluation
3–4 marks</th></tr>
<tr><td>2</td><td>2 marks
Two or more relevant points</td><td>2 marks
Two points applied to PGC</td><td>3–4 marks
Good use of theory and/or reasoned argument to answer question</td><td>3–4 marks
Good judgment shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to PGC</td><td>1–2 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–2 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

OFR from 2(a) applies.

Knowledge
- Definition of inventory: Unsold goods, raw materials, work in progress.
- Inventory is a current asset.
- Methods of valuing inventory:
  - Net Realisable Value = the amount the existing inventory can be sold for – cost of selling it.
  - Valued at original cost.
  - FIFO inventory valuation – assumes oldest inventory is sold first.
  - LIFO – assumes newest inventory is sold first [candidates are not expected to know FIFO or LIFO]
  - Inventory valuation is normally made at the lower of historical cost and net realisable value.
  - Accountants will apply rule of prudence when constructing the accounts
- Role of inventory in statement of financial position. And the income statement.
- Effect on accounting information of different valuation methods.
- Effect on calculation of depreciation.
- Stakeholder interest in correctly valued inventory.

Application
- Inventory includes coffee beans, packaged ground coffee of different ages.
- 600 small retail customers – orders vary in frequency and size.
- Use of NRV calculated in 2(a)
- New inventory manager and accountant's view

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
2(b)	**Analysis** • Price of coffee beans and ground coffee is volatile due to supply issues e.g. weather and disease. Therefore, the value of coffee inventory will also be variable and volatile. So it is difficult to measure the saleable value of coffee as market conditions change or are hard to assess. • Coffee deteriorates and therefore the value changes over time making an accurate value difficult to determine. • Deterioration of coffee and therefore its value depends on the conditions in which it is kept such as humidity and temperature. • Value measured at one time, may not be representative of other times. • Some inventory may never be sold or used thus its measured value may be inaccurate. • Difficulty in assigning cost of selling inventory and therefore difficult to calculate NRV. **Evaluation** • Ranking difficulties in order • Most important difficulty in valuing inventory of coffee • Pressure to make profit figures as high as possible or tax payable as low as possible could result in mis valuation. (Window dressing). Inventory valuation has a major impact on reported profit levels. • Incorrect valuation could lead to lower or higher profits being shown. Each of these has disadvantages. • Legal or regulatory requirement to value inventory correctly in accounts	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3</td><td>Recommend a coordinated marketing mix for the new barista courses.
<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
6 marks</th><th>Evaluation
6 marks</th></tr>
<tr><td>2</td><td>2 marks
Two or more relevant points</td><td>2 marks
Two points applied to PGC</td><td>4–6 marks
Good use of theory and/or reasoned argument to answer question</td><td>4–6 marks
Good judgment shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to PGC</td><td>1–3 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–3 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table></td><td>16</td></tr>
</table>

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Question	Answer	Marks

3	**Knowledge**
	
	• The place of the marketing mix in a marketing plan. Marketing objectives, marketing budget and marketing strategy.
	  - Elements of marketing mix: – Price, Place, Promotion, Product.
	  - The 4 C's of marketing – Consumer wants and needs, Cost, Convenience, and Communication
	• Understanding of different techniques within the marketing mix such as different forms of promotion and pricing
	• Concept of a coordinated marketing mix.
	• The need for marketing objectives to be clear.
	• Development of marketing strategies focused on achieving objectives.
	• Market research to understand the market.
	
	Application
	
	• Marketing will be business to business (B2B).
	  - Target market is cafes and restaurants – qualifications for business delegates. This may be different to the 600 retail outlets currently served.
	• PGC may also try to appeal to individuals seeking to gain a qualification as a Barista
	• One day training courses.
	• Industry recognised formal qualifications.
	• PGC have trainers and facilities ready to deliver courses.
	• Possible new product for diversification.
	• Implied objective of profit.
	• Peter suggests that 'we just have to find ways to communicate with this target market'
	
	Analysis
	
	Chains of reasoning highlighting likely elements of marketing strategy:
	• Objectives set and different target market will determine methods used in the plan.
	• Suggested elements of marketing mix linked to objectives and different target markets.
	• Suggested elements of marketing mix coordinated together in relation to target markets.
	• Price might be varied by number of trainees being sent on a course by a business. This would boost sales.
	• Relation of marketing this new product to marketing other PGC products. Explanation of why marketing to cafes and restaurants might change from marketing to retail outlets, e.g. advertising in appropriate trade press and attending trade fairs/exhibitions.
	• Suggested methods given a time scale and linked to objectives.
	• Cost of suggested methods linked to possible resources available and potential income.	

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Question	Answer	Marks
3	• Salespeople may be important for building trust and motivating businesses to put employees on courses. • B2B marketers must persuade decision makers of a company therefore information must be concise and clear. **Evaluation** • Identification of most important element of marketing strategy and justification. – Businesses less likely to be influenced by persuasive advertising. More interested in information. – Need for market research prior to the marketing strategy as this is a new market. • Supported recommendation of a coordinated marketing mix. • Indication of how successful the suggested mix might be. • Success may depend on budget available and other factors, e.g. competition, macro-economic factors.	

Question	Answer	Marks
4(a)(i)	**Refer to Appendix 1. Calculate:** **earliest start time (EST) for Activity F** Some attempt at identifying EST, e.g. additions of previous EST or definition (1) EST = 18 + 3 (1) EST = 21 days (2)	**2**
4(a)(ii)	**total float for Activity D** Definition – Total float is max. time an activity can be delayed without delaying the whole project (1 mark if no relevant equation or calculation) LFT – duration – EST (1) Total float = 21 – 2 – 0 (2) = 19 days (3)	**3**
4(a)(iii)	**free float for Activity C** Definition – Free float is max. time an activity can be delayed without delaying the next activity (1 mark if no relevant equation or calculation) EST next activity – duration – EST (1) Free float = 18 – 6 – 0 (2) = 12 days (3)	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Assess the role of critical path analysis (CPA) in the successful installation of the new coffee roasting machines.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
3–4 marks</th><th>Evaluation
3–4 marks</th></tr>
<tr><td>2</td><td>2 marks
Two or more relevant points</td><td>2 marks
Two points applied to PGC</td><td>3–4 marks
Good use of theory and/or reasoned argument to answer question</td><td>3–4 marks
Good judgment shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to PGC</td><td>1–2 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–2 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

OFR from 4 (a and b) applies.

Knowledge:

Definition of network analysis: this is part of project management to ensure that resources are used efficiently. Also known as critical path analysis it identifies all tasks in a project, puts them in the correct sequence and allows for the identification of the critical path.

- Critical path identified so managers focus on high priority activities.
- Key dates can be determined, and activities planned.
- Appropriate resources can be assembled.
- Progress can be monitored.
- Gives workforce a guide so that finishing date can be met.
- Managers are enabled to focus on high priority activities.

Application

- Reference to more efficient faster coffee roasters, enabling over capacity at current production levels.
- Ideas for expansion (open cafes) rely on greater coffee production.
- Inexperienced new production manager has provided the information for the CPA.
- Impact of installation on current production.
- Marketing plan timing following installation (planned for one week after).
- Use of data in Appendix 1:
  - Minimum time of 28 days – Peter has set a deadline of one month.
  - Non-critical activities B, C, D, G
  - Critical path AEFH

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Analysis** • CPA enables project duration to be calculated so that key dates can be determined, and activities planned. • CPA enables start times of activities to be known so that appropriate resources can be assembled. • CPA enables latest finish times to be known so that progress can be monitored, and action taken if activities are not going to be on time. • Knowing floats enables consequences of delays to be identified and resource allocation altered to minimise disruption to schedules. • Consequences of delays can be identified, and resource allocation altered to make sure roasters are ready on time. • CPA could set (unrealistic) targets that workers in striving to meet result in errors and mistakes in installation **Evaluation** • Technique only as good as data – would production manager be best person for collating this information? • Difficulty of estimating activity durations – has contractor any input? • CPA costs but is small compared to cost of project. • Is CPA worthwhile for such a small simple project?	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the importance of workforce planning to the success of PGC's proposed new cafes.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
6 marks</th><th>Evaluation
6 marks</th></tr>
<tr><td>2</td><td>2 marks
Two or more relevant points</td><td>2 marks
Two points applied to PGC</td><td>4–6 marks
Good use of theory and/or reasoned argument to answer question</td><td>4–6 marks
Good judgment shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to PGC</td><td>1–3 marks
Some use of theory and/or reasoned argument to answer question</td><td>1–3 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note: Workforce planning must be linked to café not other expansion plans

Knowledge

- Explanation of workforce planning – comparison of current staffing levels and skills with future requirements
- Identification of numbers, skills and experience required for different tasks/roles.
- Timescales for recruitment and selection of appropriate employees.
- Use of different types of contracts to make business flexible and save labour costs, part-time, short-term, zero hours.
- Identify training needs of employees to meet future requirements

Application

- Different roles for sales staff managing/selling coffee and cakes in cafes.
  - Baristas
  - Waiting staff
  - Kitchen employees to make cakes
  - Supervisors and management
  - 'new set of skills' (line 83) and Force Field Analysis
- Expansion plans will involve doubling the number of employees.
- WP to overcome the force against change given a relatively high weighting of 3
- Organisational restructure required as a restraining force requiring a WP
- Reference to decision tree analysis, investment appraisal as these include information on employment costings.

</td><td>16</td></tr>
</table>

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Question	Answer	Marks
5	**Analysis** • WP ensures right number of employees with the right skills in the right place at the right time to deliver the services sold. • Necessity of recruiting and selecting more employees with appropriate skills for the new tasks. • Setting up cafes requires significantly different roles to be identified. • Comparison of forecast requirements with current employee numbers and skills will enable recruitment and selection plans to be drawn up with a timescale. • Training needs for existing employees can be determined and resources allocated to enable training. • Workforce planning enables contribution to overall corporate budgets. **Evaluation** • Assessment of level of importance • Comparison of importance in relation to a timescale linked to production and marketing plans. • What if? E.g. no workforce planning is done and the impact of this on success of plans. • Success relies on accurate forecasts – demand, number of jobs, success in recruiting, cost estimates, etc. • Forecasts derived from marketing forecasts – require good communications with marketing department. • Do PGC managers have ability to carry out workforce planning?	

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Question	Answer	Marks

Questions 6 and 7 use this marking grid:

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgment shown throughout with well supported conclusion / recommendation, focused on PGC
2	3 marks Good understanding shown	3 marks Good application to PGC	3–4 marks Good use of reasoned argument or use of theory to explain points made to explain points made	4–6 marks Some judgment shown in the main body of the answer **and** an attempt to support conclusion / recommendation, focused on PGC OR Effective and well supported conclusion / recommendation focused on PGC
1	1–2 marks Some understanding shown	1–2 marks Some application to PGC	1–3 marks Limited use of reasoned argument or use of theory to support points made	1–3 marks Limited attempt to show judgment either within the answer OR A weakly supported conclusion / recommendation with some focus on PGC
0	No creditable content			

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Question	Answer	Marks
6	**Evaluate the importance of PEST analysis to the directors as they consider whether PGC should supply tea.** **Knowledge** • Explanation of PEST as a technique of strategic analysis • Understanding of role of other strategic analysis techniques such as – Porter's Five Forces – SWOT – Core competencies • Knowledge of business vision/mission statements and objectives • Role of strategic analysis in strategic management and planning • Strategic Choice techniques that would be used in making decision – Decision tree, investment appraisal, Force Field Analysis **Application** • SWOT, Porter's 5 Forces analysis carried out and/or core competencies used: – Core competency – marketing hot drink ingredients (Strength in SWOT). – Porter – lower degree of rivalry in market for supplying tea. • Link to mission statement. • Use of PEST information in Table 3. – Possible tax on coffee. – Stable wholesale price of tea. – Rising cost of coffee beans. – Higher mark-up on tea. – Tea healthier than coffee. – Younger consumers increasingly prefer tea. • Supplying tea to existing customer types. • Reference to the first option (opening cafes). • Reference to role of ERP. • Lack of set objectives. **Analysis** • Consideration of why techniques lead to the recommendation or not. • Consideration of why the analysis might reject café alternative option. • Anticipating changes to the external environment will enable PGC to take decisions to reduce risk and take advantage of opportunities. • Analysis of how other forms of strategic analysis might guide strategic decisions: – Identification of weaknesses that need to be addressed when making decisions or alternative sought, e.g. financing. • SA will help reduce the risk of decisions taken by PGC as it will help PGC build on their core competencies and strengths and highlight weaknesses that need to be resolved. • SA takes time to do in terms of management focus, reducing time available for other tasks.	**20**

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Question	Answer	Marks
6	• Porter's Five Forces: Power of buyers, suppliers, threat of substitutes, barriers to entry and competitive rivalry helps PGC make decisions about markets to enter and reduces risk by considering factors that affect success. • Relation of strategic analysis to other areas of strategic management. • Analysis of role of SC techniques in making the decision **Evaluation** • Elements that the evaluation/judgement might depend on such as: – PEST needs to be reviewed regularly. – PGC operates in a dynamic environment so analysis may quickly become outdated. – Subjective nature of PEST analysis. – An assessment of the importance of timing and a timescale in carrying out analysis. – Subjective interpretation of the models – one manager's opinion of PEST may be very different to another's. – Internal factors will influence likelihood of success e.g. resistance to change, availability of finance, flexibility of employees. – Strategic analysis is only as good as the information gathering process and ability of the analyst allow. – Good analysis is not a guarantee of successful decision making. – Essential to have objective(s) for successful use of techniques. – Critical comments on the techniques. • Evaluation of other factors that influence options such as: – Comments that PEST on its own is not enough to fully support a decision. – Attitude of directors – Attitude to risk – Need for SC techniques in making the decision • Justification of most useful technique(s) with supporting argument. – Ranking the usefulness of the techniques in relation to PGC's plans. • Weighing up importance of other stages in strategic management especially objectives and choice techniques in relation to strategic analysis. • Successful analysis requires to be set in the framework of strategic management/planning.	

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Question	Answer	Marks
7	**Evaluate the usefulness of strategic choice techniques to the directors as they consider Peter's proposal for PGC to open cafés.** **Knowledge** • Explanation of methods of strategic choice – Ansoff, Force Field Analysis, Decision trees • Role of investment appraisal techniques • Quantitative v qualitative factors • Place of strategic choice in strategic management – Understanding of SWOT, PEST, Porter's Five Forces and Boston Matrix as strategic analysis techniques prior to SC. • Role of objectives in strategic management **Application** • First objective is survival. • New roasters and/or ERP • Competitive market conditions • Reference to the Force Field Analysis, diversification or identified core competencies. – Driving forces 13: Restraining forces 12 • Other possible choices – e.g. sell tea. • ARR 2% Payback 4 years • Expected monetary value of $100 000. • Ansoff – diversification **Analysis** • Linking objective to strategic choice and management • How techniques may be used and the advantages and disadvantages. – Force field analysis encourages managers to consider different aspects of a decision. – By identifying restraining forces action can be taken to mitigate negative effects and reduce risk. – Visual summary of factors in a decision. Helps focus attention on the most important forces affecting the decision. Facilitates discussion of these points to enhance decision making. – Forces can be weighted thus improving decision making. – Subjective forces are objectified by giving them a weighting focusing attention on important issues and making it easier to compare force for and against change.	**20**

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Question	Answer	Marks
7	• Role of other techniques in decision making that consider the quantitative aspects of the choices. – Use of probabilities in decision trees therefore reducing risk for PGC of option choice. – ARR enables PGC to choose option with highest return which may be important to shareholders. • The use of techniques to analyse aspects of the options. • Consideration of why each of the applied strategic choice methods leads to the recommendation. • Consideration of other information in the case and how this might relate to the recommendation. • Relation of choice techniques to other areas of strategic management **Evaluation** • Assessment of likelihood of success • To what extent do the strategic choice methods results lead to Peter's recommendation? Is this the only possible conclusion? • Will market conditions relating to cafes still apply in the future? • Is the objective of survival defined enough to generate a strategic plan? • Would more numerate objectives aid planning? • Need to consider other options – role of Directors in choice. • Elements that the evaluation/judgement might depend on: – Effective integration of analysis and choice techniques will be important. – How accurate is the information used in the strategic choice methods? Success may depend on this. – Ability of the individual(s) completing the SC techniques. – SC techniques need to be used together taking account of both quantitative and qualitative factors. – Weighting of the driving and restraining forces is subjective. Has Peter manipulated the data to support his preferred outcome? Bias and hidden agenda in formulating the analysis. Disagreements about relative importance. – Forces may be missed from the analysis. – Justification of most useful choice technique with supporting argument. • Significance of other factors that may also be important: – Impact of management objectives and attitudes. – Availability of finance (these may be included in the FFA). Are resources an issue – e.g. finance, sales staff, and capacity? – The choice must be implemented successfully – this may require a successful detailed business plan, management of change, training, new employees. – Other information that could be useful? Additional information is essential – e.g. current and forecast rates of interest.	

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