



Cambridge International AS & A Level

BUSINESS

9609/04

Paper 4 Business Strategy

For examination from 2023

MARK SCHEME

Maximum Mark: 40

Specimen

This document has **10** pages.

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 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.

Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

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.

Table A

Use this table to give marks for each candidate response for **Questions 1 and 2**.

Level	AO1 Knowledge and understanding 3 marks	AO2 Application 2 marks	AO3 Analysis 8 marks	AO4 Evaluation 7 marks
	Description	Description	Description	Description
3			<p>7–8 marks Developed analysis of the overall strategy that identifies connections between causes, impacts and/or consequences.</p>	<p>6–7 marks Effective evaluation A developed judgement/conclusion is made in the business context that draws together developed evaluative comments which weigh up some key arguments in the business context.</p>
2	2–3 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	2 marks Developed application of relevant points(s) to the business context.	<p>4–6 marks Developed analysis of individual strategic element(s) that identifies connections between causes, impacts and/or consequences.</p>	<p>3–5 marks Developed evaluation</p> <ul style="list-style-type: none"> A developed judgement/conclusion is made. Developed evaluative comments which weigh up some key arguments.
1	1 mark Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	1 mark Limited application of relevant point(s) to the business context.	<p>1–3 marks Limited analysis that identifies connections between causes, impacts and/or consequences.</p>	<p>1–2 marks Limited evaluation</p> <ul style="list-style-type: none"> A judgement/conclusion is made with limited supporting comment/evidence. An attempt is made to weigh up the arguments.
0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Question	Answer	Marks
1	<p>Evaluate RF's strategy for growth between 2008 and 2019.</p> <p>Use Table A to mark candidate responses to this question.</p> <p>AO1 out of 3 marks. AO2 out of 2 marks. AO3 out of 8 marks. AO4 out of 7 marks.</p> <p>Indicative content</p> <p>Responses may include:</p> <p>AO1 Knowledge and understanding</p> <ul style="list-style-type: none"> • Strategy – a plan of action to achieve a long-term aim. • Growth – organic (internal – reinvestment of profit) and external growth (mergers and takeovers). • Any other term, ratio or concept in the case or appendices <p>AO2 Application</p> <ul style="list-style-type: none"> • Between 2008 and 2016 RF grew organically by reinvesting profits to purchase land surrounding the farm to increase the capacity of the business. • Focus on sugarcane for which large profit margins existed in 2015. • Use of ERP to increase efficiency of the business in new building. • Takeover of a neighbouring farm for external growth in 2016. • Formation of a private limited company to finance growth in 2016. • Employment of new workers (to replace those who left) is difficult and productivity forecast to decline in 2016. <p>AO3 Analysis</p> <ul style="list-style-type: none"> • Reinvesting all profit may have led to poor cash flow, which led to the need for further external finance and the cost of this finance. • Financing of external growth through the sale of shares may have led to some loss of control for JR. • The new bank loan has affected the gearing of RF (5% to 20%), which again worsened in 2018 (20% to 60%) when the mortgage was needed for the new building. RF becomes highly geared in 2018 and this makes the business riskier, although potential returns for the shareholders might be higher. • The new building allows RF to hold high levels of inventory – acid test had fallen to 0.3. The fire destroyed this inventory and was possibly a major factor in the business being unable to survive the fire. • The inventory turnover had also decreased substantially as a consequence of the higher level of inventory. 	20

Question	Answer	Marks
1	<ul style="list-style-type: none"> • The fire destroyed RF's business suggesting that it did not have adequate contingency planning. • The introduction of ERP would have increased the business efficiency and allowed the business to take larger contracts from the sugar factories and increase the profit margin. • BKL and RF seem to have different corporate cultures. This can result in conflict between managers and employees of the two organisations and difficulties in managing change. • Substantial drop in ROCE may have been caused by a number of factors, for example employee problems, competition and high inventory holding costs. <p>AO4 Evaluation Evaluation will largely depend on the points raised in the analysis of the growth strategy of RF.</p> <ul style="list-style-type: none"> • The growth of RF led to a decrease in ROCE from 9% in 2015 to 5% in 2018 suggesting that John was not achieving his aim of maximising profit margins. • The management of the takeover of BKL may have contributed to the declining performance of RF suggesting that organic growth is easier to manage. • The aggressive growth of RF led to a worse ROCE after the purchase of the new building. If RF had continued to trade would the shareholders have continued to support such aggressive growth? • To what extent did John consider the external environment when expanding the business, for example the pressure to increase sustainability? • John's willingness to accept risk may have resulted in the declining performance of the business. • Overall judgement required about the balance between the strengths and weaknesses of RF's strategy for growth. <p>Accept all valid responses.</p>	
	AO1	3
	AO2	2
	AO3	8
	AO4	7

Question	Answer	Marks
2 Advise Sue on which approaches she should use to develop a new business strategy for RF2.	<p>Use Table A to mark candidate responses to this question.</p> <p>AO1 out of 3 marks. AO2 out of 2 marks. AO3 out of 8 marks. AO4 out of 7 marks.</p> <p>Indicative content</p> <p>Responses may include:</p> <p>AO1 Knowledge and understanding</p> <ul style="list-style-type: none"> • The purpose of business strategy. • The meaning and purpose of strategic management. • Approaches to develop business strategy, including: blue ocean strategy scenario planning SWOT analysis PEST analysis Porter's five forces core competence framework Ansoff matrix force field analysis decision trees. <p>AO2 Application</p> <ul style="list-style-type: none"> • Sue's mission and aims. • Sue's determination to create a successful farming business. • Sue's controlling (51%) share of the company. • Relevant elements from the RF business. • Relevant points from the appendices. 	20

Question	Answer	Marks
2	<p>AO3 Analysis</p> <p>Candidates are likely to focus on two or three approaches.</p> <p>The usefulness of approaches to develop a new business strategy for RF2.</p> <ul style="list-style-type: none"> Blue ocean strategy may allow Sue to think of new ideas. This could be especially useful for entering a new food product market, for example organic, premium fruit and vegetables. However, Sue may not have a management team available to discuss ideas with. The blue ocean approach may be particularly useful in developing an innovative marketing strategy to distribute products, for example to local retailers. Scenario planning could allow Sue to analyse markets and consider uncertainties in each market. It could be especially useful in a new market. However, Sue may not know enough about each potential market to plan a scenario. SWOT analysis to understand the internal strengths and weaknesses of the original business. Use the strengths to overcome future threats and the opportunities to overcome present weaknesses. Sue may have understood the original business well, so she may be able to develop the strengths and overcome the weaknesses. However, she may not have the data to understand the opportunities and threats. PEST analysis will be useful to understand the external environment of each potential market. However, if RF2 operates in a local market, how useful are elements such as political and economic? Porter's five forces may help Sue to develop an understanding of the forces in each potential market. It will require an investment in market research to understand the competitive nature of each market. Core competencies might not be useful if Sue was not involved in managing the original business. The business has few elements left, apart from Sue herself and the land. Will the time and effort of analysing the core competencies be worthwhile when developing a strategy? Ansoff matrix may be the most useful to analyse the risk of any new strategy. This is likely to be classified as diversification if RF2 moves away from sugarcane. It is the riskiest strategy and Ansoff may help Sue to understand the elements needed for a successful strategy. However, how useful is it to know that it is a risky strategy? Does this really help Sue to develop a strategy? Force field analysis could help Sue to understand the constraining and driving forces in developing a new strategy. This may help Sue to identify actions that need to be taken to reduce constraining forces. However, Sue may not have enough data and experience to do a force field analysis. Decision trees are unlikely to be helpful in developing a new strategy, but they could be used to help decide between alternative strategies. Sue may find it difficult to obtain the data on probabilities and economic outcomes to construct a decision tree. <p>AO4 Evaluation</p> <p>Evaluation will largely depend on the points raised in the analysis of the approaches needed to develop a new strategy.</p> <ul style="list-style-type: none"> The unpredictability of the dynamic external environment – to what extent can Sue research this and apply it to different markets? 	

Question	Answer	Marks
2	<ul style="list-style-type: none"> • RF is no longer operating and RF2 is not yet trading – to what extent can Sue afford the time needed to develop a new strategy? Should she simply restart trading as a sugarcane producer? • To what extent can/should Sue try to plan for a new strategy with the resources that she has? • Many of the approaches rely heavily on the accuracy of forecast data. • Advice to Sue should make clear which approaches are likely to be most relevant and useful in this context. <p>Accept all valid responses.</p>	
AO1		3
AO2		2
AO3		8
AO4		7