

Business Studies

Advanced GCE

Unit **F297**: Strategic Management

Mark Scheme for June 2011

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Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

Question 1 (a)

After additional research Wilhelm completed the decision tree, see page 2 of insert.
Calculate the expected monetary value (emv) of node 1.

[13]

Node	Probability x value	emv
7	60% x £75 40% x £62.5	£70
8	80% x £600 20% x £400	£560 or £480
9	30% x £500 70% x £700	£640 or £590
10	75% x £350 25% x £250	£325
11	40% x £300 60% x £380	£348
12	50% x £200 50% x £100	£150
13	40% x £170 60% x £120	£140
4	£640 - £50 = £590 (node 9) £560 - £80 = £480 (node 8) £590 > £480	£590
5	£348 (node 11) > £325 (node 10)	£348
6	£150 > £140 (node 12 > node 13)	£150
2	50% x £590 (node 4) 50% x £70	£330 or £30
3	£348 (node 5) > £150 (node 6)	£348 or £48
1	£348 - £300 = £48 (node 3) £330 - £300 = £30 (node 2) £48 > £30	£48

1 mark per correct EMV shown

Remember Own Figure Rule, OFR for nodes 4, 5 6, 2, 3 and 1

An answer of £48,000 receives full marks

Reward work in the booklet rather than the insert

Any answers embedded in Q1b must be carried across to Q1a

Question 1(b)**Should BPL purchase the parcel of land? Justify your view.****[18]**

DT suggests node 3, then node 5 and at node 5 take node 11, up grade leisure club.

But candidates might justifiably question where the data used in the tree comes from, the answer is only as robust as the data available. Is it sensible to even use a tactical DT for this strategic decision?

Does BPL have access to £300,000? Need to consider sources of finance.

Invest £300 to gain annual return of emv node 11 (£348). However, this data is emv, not actual flows so need to treat with caution.

Benefits of better relationships with neighbours (stakeholders) in moving the clay pigeon facility away from the village – but how does one judge such an esoteric benefit? Or does BPL have a moral duty to reduce the negative impact it has on its surrounding community?

Possible use of Ansoff in terms of changes to the business' product portfolio and as such some consideration of risk. Are there any synergies between the land and existing activities – could shot pheasants appear on the menu? Might guests quite like this idea – a days shooting and then chef will prepare the bag for supper.

Exit strategy – if the venture doesn't work how readily BPL could withdraw? Little investment so low sunk costs, and might even make a capital gain on the land if land values rise through time. If so, risk is actually very low. But, this is less the case if BPL pay the 20% premium suggested.

Do customers want a 4x4 experience? What market research has BPL done about this or mountain biking? No evidence in the case of any.

If they don't buy it what might happen to the land? Might another land owner use it for an activity that might detract from the BPL experience? If so, buy the land purely to act as a buffer. Does BPL have the available skills amongst its staff to exploit the new asset? Already offer clay pigeon shooting, but rearing game birds is another level.

Better answers will link back to objectives – does this possible acquisition help BPL become "one of Europe's top luxury leisure destinations".

L4	Discussion is balanced in evaluating recommendation	18-12
L3	Analyses case material in support of recommendation	11-8
L2	Recommendation is supported by description	7-4
L1	Offers a view without support	3-1

Question 2

Discuss how a change in UK economic growth might affect the strategic direction of BPL [18]

Expect candidates to use the data in Table 1 which shows occupancy against UK quarterly growth. This suggests that as growth declines, and turns negative occupancy falls – with a time lag.

NB also that golf club membership holds up despite declining growth, but the waiting list does contract and fluctuates with quarterly growth. Whilst BPL has this waiting list they are, to some extent, insulated from falling growth. Better candidates will recognise that club membership has an annual fee, so there may well be a time lag between the reduction in growth before it feeds through to membership renewals. Further, for those with membership already paid there is a strong argument for using BPL's facilities more – they've already been paid for unlike other competing leisure options for the members. So, activity could in fact increase with more people exploiting their "sunk" cost membership. In which case BPL have to work hard that greater demand on their facilities doesn't come with compromised quality – after all it is quality/ exclusivity that is its USP.

Falling growth will mean rising demand deficient unemployment; are BPL's typical customers likely to be affected? Given the nature of the product on sale (expensive club membership, high price for rooms, Michelin listed restaurant) then might argue "no". However, the businesses that their members and customers own may be doing less well, so there maybe a need to reduce personal spending, and so BPL will be affected – hence why occupancy falls.

BPL operate in several different markets; weddings, corporate days out, conference. Sales in all of these markets may be adversely affected so need some strategic response.

Further expect candidates to use Figure 1 which shows increasing business from non UK residents, meaning that BPL is not solely reliant upon the UK market. As UK growth slows the impact on sterling is likely to be a depreciation, so imported costs rise (e.g. wine?) but in Euro and \$ terms BPL becomes more affordable. So BPL's strategic direction might be to focus resources and efforts more on the non UK market and less on weddings etc.

L4	Discussion is evaluative in balancing different possibilities	18-12
L3	Case material is subject to analysis in discussing the possible affect of changing growth upon strategy.	11-8
L2	Describes how strategy might be affected by growth with no use of the explicit context. with no use of the explicit context. with no use of the explicit context.	7-4
L1	Demonstrates knowledge of strategy/ economic growth	3-1

Question 3

The change to BPL's remuneration strategy has not been managed successfully (line 101).

Recommend to Wilhelm how the required change might still be made.

[18]

First he needs to determine what it is he wants to achieve. He also needs to analyse where the obstruction to change lies – is it amongst his managers or the rank and file? Expect models of change, e.g. Lewin or similar. Also expect discussion of seeking to change the culture within the business, and how challenging it is to change cultures particularly if they are deeply embedded.

For change to be accepted and become the new norm those affected need to understand why and how it benefits them. For front of house staff this is difficult – they lose “their” tips so they are net losers in the new regime. In contrast, those behind the scenes should gain. So, W should see his employees as being a series of different constituencies. Hence, he might need to adopt a differentiated approach.

He could enforce the changes through fear/ discipline/ dismissals of any who fail to comply. How possible is this given the nature of the skills front of house staff needs to meet the expectations of the guests BPL serve? Scared staff may well not give such good service, and if the service falls then BPL's offering crumbles. Are employees readily replaceable? Can he afford to lose staff, how much investment has BPL placed in their training?

He could seek to persuade staff, but then he is faced with why should they – it's a bit like asking turkeys to vote for Christmas! Appeal to a sense of common good v personal self interest – how altruistic are staff – this approach might not work with any casual staff who are there simply for the money

Possible approach is a clear strategy – if he can first persuade all of his managers of the benefits to all – see this as a BPL issue not a departmental one – then he can think about the rank and file. Some suggestion in the case that he hasn't won the hearts and minds of his managers “With some reluctance Sue and Beatrice told their staff of the change,…” If his managers aren't on board then the task is far more difficult.

He could of course, simply revoke the new policy as being unenforceable. Is it a battle he can win? The change in the law was about using tips to make up wages to NMW, not about tips having to be pooled. Hence it is a problem entirely of his own making. But if he back tracks does he lose face (does that matter) and might the non front of house staff see this as reduction in their pay.

L4	Achieves an overall recommendation having evaluated possibilities.	18-12
L3	Analysis of material supports discussion of how change might be managed in the context of BPL.	11-8
L2	Describes how change might be managed in a generic sense with no use of the explicit context.	7-4
L1	Demonstrates knowledge of the management of change or offers unsupported suggestions	3-1

Question 4

To what extent might different stakeholders view BPL as a successful business? Justify your view.

[23]

Success means so many different things to so many different people this question provides considerable scope for evaluation. It is reasonable to expect some use of financial ratios, which if these are used to support an argument about success, should be credited. Ratios like CR and AT, in themselves, are not sufficient; they have to address the question.

Shareholders; falling revenues and margins, but still profitable and paying a dividend. ROE can be approximated to 6.38% (ROCE is 6.22%) - but we really need some comparative base, or if all else fails then prevailing interest rates, to make sense of this value. But the case cites some shareholders not being that bothered about their financial return providing they can swan about a swanky sporting estate. For these shareholders success is therefore a very different beast.

Employees; some suggestion of BPL not being a relaxing place to work – Wilhelm’s temper, arguments about pay and conditions, covert photographing and so on. Falling occupancy might be a symptom of a lack of success. But a job is a job, so BPL continuing is a success in itself

Local community; occupancy falling throughout 2009 might mean less disruption/ traffic. Some might view this as a good thing but others will see it as evidence of BPL doing less well, so unsuccessful. Those members of the community that are also employees (think of the nature of the job, BPL is likely to offer a lot of casual job opportunities) are likely to see it as a success.

Suppliers (food, taxis etc) falling occupancy means less business so not very successful. But this needs to be seen against the macro economic conditions which prevail – just to survive in a downturn means BOP has to be successful.

Guests – Have they had a nice time?

Club members – depends on whether they are golf or leisure club members given that they experience different things and benefits.

Question doesn’t specify any time period, so candidates could argue that 2006 – 2007 BOP was successful, but more recently its fortunes have declined.

L4	Achieves an overall view of success having evaluated different possibilities/perspectives of stakeholders <i>Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</i>	23-17
L3	Analysis of material supports discussion of how success might be assessed by stakeholders in the context. <i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</i>	16-11

L2	Describes how success might be viewed in a generic sense with no use of the explicit context. <i>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</i>	10-5
L1	Offers knowledge of success/ stakeholders <i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</i>	4-1

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

14 – 19 Qualifications (General)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

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Facsimile: 01223 552553