

# A LEVEL

## Delivery Guide

H431

# BUSINESS

Theme: Business objectives and strategy 2

August 2015



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# Introduction

Delivery guides are designed to represent a body of knowledge about teaching a particular topic and contain:

- Content: a clear outline of the content covered by the delivery guide;
- Thinking Conceptually: expert guidance on the key concepts involved, common difficulties students may have, approaches to teaching that can help students understand these concepts and how this topic links conceptually to other areas of the subject;
- Thinking Contextually: a range of suggested teaching activities using a variety of themes so that different activities can be selected that best suit particular classes, learning styles or teaching approaches.

If you have any feedback on this Delivery Guide or suggestions for other resources you would like OCR to develop, please email [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk).

## KEY



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AS Level content only



# Curriculum Content Mission statements and corporate social responsibility

## **Mission statements**

- explain the nature and purpose of a mission statement
- recommend and justify a suitable mission statement for a business
- evaluate the advantages and disadvantages to a business of having a mission statement
- evaluate the impact of changing a mission statement on a business and its stakeholders.

## **Corporate social responsibility**

- explain what is meant by corporate social responsibility (CSR)
- explain the potential conflict between CSR and profit and other objectives
- evaluate the impact and importance of a CSR policy to a business and its stakeholders
- evaluate the advantages and disadvantages of a business's CSR profile to the business and its stakeholders
- recommend and justify how a business could improve its CSR profile
- evaluate the impact and importance of CSR to a business and its stakeholders.



# Thinking Conceptually

## **Approaches to teaching the content**

Mission statements and corporate social responsibility (CSR) are areas of the specification that permeate many of the decisions made in a business. The approach, if at all possible, should be to holistically incorporate these topics into areas of teaching rather than teach them as discrete areas.

Both mission statements and CSR place boundaries on a business's objectives and strategies by letting the business make a clear public statement about its intentions and vision. Both can be mere marketing tools which serve little actual purpose in business decision-making, but the approach should be to show more positive examples where businesses make good use of these tools to aid both internal decision-makers and stakeholders and those external to the business as well.

## **Common misconceptions or difficulties students may have**

Students often misunderstand the links between missions, objectives, aims and strategy. It does not help that these terms

are used poorly by the media. However students of business must have a clearer understanding of how each element links together so that they can analyse and evaluate a business from the perspective of the stakeholders.

A mission statement should be a visionary statement that gives an idea of the direction of a firm, but not the specifics. Corporate social responsibility is a possible objective of a business and as such must fit into the vision set out in the mission statement.

## **Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course**

The nature of mission statements and CSR are that they fit into teaching of objectives as a whole and should form part of this topic.



# Thinking Contextually

Not every business will have a mission statement or a CSR objective. However the lack of these may prove worthy of analysis and evaluation. A range of businesses should be used to show how both a mission statement and a CSR objective/policy can be used by a business. Many are available on the Internet for larger, well-known businesses, and smaller local businesses can provide a good basis for the creation of new mission statements and CSR policies based on student knowledge of these businesses.

Activities	Resources
<p><b>1. Introduction to mission statements</b></p> <p>Use a well-known business which has a mission statement. In groups students should discuss:</p> <ul style="list-style-type: none"><li>• What the mission statement actually means</li><li>• The benefits to the business of having a mission statement</li><li>• Any potential costs to the business of having a mission statement.</li></ul> <p>The Coca Cola company mission statement can be used for this exercise: <a href="http://www.coca-colacompany.com/our-company/mission-vision-values">http://www.coca-colacompany.com/our-company/mission-vision-values</a></p>	<p></p>
<p><b>2. Mission statement research</b></p> <p>Students should research company websites for mission statements and compare them, considering:</p> <ul style="list-style-type: none"><li>• Do they often state the same message?</li><li>• How useful are they?</li><li>• What is the difference between these and clear objectives?</li></ul> <p>Students should provide feedback in a class discussion about the different mission statements that they have found.</p>	



# Thinking Contextually

Activities	Resources
<p><b>3. The importance of a mission statement</b></p> <p>Students should investigate a business and write a report on their findings. The report should include:</p> <ul style="list-style-type: none"><li>• A brief outline of the business</li><li>• The mission statement of the business</li><li>• How the mission statement links with the corporate objectives of the business</li><li>• Recent strategies used by the business and how these link to the mission statement of the business</li><li>• Analysis of how the strategies meet the mission of the business (and how they may not)</li><li>• An evaluation of the importance of the mission statement in analysing the strategy of the business.</li></ul>	
<p><b>4. Recommending a mission statement</b></p> <p>Either using a case study that does not include a mission statement (many of the case studies from the previous A Level Business specification F292 and F297 may be used) or a local business that students are aware of, ask each student to come up with a mission statement for the business.</p> <p>Once students have written their mission statements they should each discuss theirs with a partner and refine both statements into one better statement.</p> <p>Each pair can then join with another to make a foursome. This process can be repeated until the class has one mission statement that they can all agree on.</p> <p>Discuss the analysis that has led to the refinement of this mission statement.</p>	
<p><b>5. Introduction to CSR</b></p> <p>Students should research a business that has a CSR policy/objective. Students to present their findings to the rest of the class. The presentations should include:</p> <p>Why is this business spending money/resources on social/community activities that it is not legally required to? Should all businesses do this? Are there any problems with this approach?</p>	



# Thinking Contextually

Activities	Resources
<p><b>6. Evaluating the usefulness of CSR</b> Is CSR a help or a hindrance to the achievement of long-term profitability? Does CSR assist a business to 'create value'? Students should be able to discuss these issues, by referring to actual examples. Try to use local examples where possible.</p> <p>Students should question the value of CSR – especially if it is perceived as not being a 'genuine' approach to social values by business.</p> <p>Written work: 'CSR must be adopted by all businesses if they are to be successful. Evaluate this view.'</p>	
<p><b>7. CSR in practice</b> Corporate social responsibility – Measuring its value (BBC): <a href="http://www.bbc.co.uk/news/business-19876138">http://www.bbc.co.uk/news/business-19876138</a></p> <p>An article from the BBC exploring the issue of CSR and the practical applications of CSR in the modern world.</p> <p>A case study example of CSR (Business Case Studies): <a href="http://businesscasestudies.co.uk/primark/beyond-corporate-social-responsibility/introduction.html#axzz3Q8IVsMzL">http://businesscasestudies.co.uk/primark/beyond-corporate-social-responsibility/introduction.html#axzz3Q8IVsMzL</a></p> <p>A case study using Primark as the basis for discussing CSR.</p> <p>Discussion of CSR (Business Ethics magazine): <a href="http://business-ethics.com/2015/05/05/does-corporate-social-responsibility-increase-profits/">http://business-ethics.com/2015/05/05/does-corporate-social-responsibility-increase-profits/</a></p> <p>A discussion of CSR as a vehicle for increasing profits.</p>	<p><a href="#">▶ Click here</a></p> <p><a href="#">▶ Click here</a></p> <p><a href="#">▶ Click here</a></p>



# Thinking Contextually

Activities	Resources
<p><b>8. The effects of CSR</b></p> <p>Students should investigate a business's CSR policy. Many larger businesses will choose to have a CSR policy. Students should analyse the effect the CSR policy is likely to have on the following areas of business activity:</p> <ul style="list-style-type: none"><li>• Production</li><li>• Marketing</li><li>• Employment</li><li>• Finance</li><li>• Objectives.</li></ul> <p>As an extension, students should discuss the impact and importance of CSR to stakeholders of the business and how the CSR profile of the business could be improved.</p>	
<p><b>9. Debate</b></p> <p>The teacher should identify a case study with a number of objectives, one of which should be (or include elements of) CSR. The pre-release case study F297 June 2014 may be suitable for this activity. Students should debate which of the corporate objectives is most important for this business. This could be done as a balloon debate.</p>	
<p><b>10. CSR topic exploration pack</b></p> <p>Use the OCR CSR topic exploration pack and CSR activity for further teaching ideas for this area of the specification.</p> <p><a href="http://www.ocr.org.uk/Images/169741-topic-exploration-corporate-social-responsibility-teacher-pack-pdf">http://www.ocr.org.uk/Images/169741-topic-exploration-corporate-social-responsibility-teacher-pack-pdf</a></p>	<p> Click here</p>



# Curriculum Content Strategy, opportunity cost and contingency planning

## **Strategy and implementation**

- explain the relationship between objectives, strategy and tactics
- evaluate a business's current or proposed strategy
- recommend and justify how a business could alter its strategy
- evaluate the impact and importance of changing a business's strategy to the business and its stakeholders
- explain why a business needs to plan its implementation strategy
- evaluate the impact and importance of a strategy for a business and its stakeholders
- recommend and justify a strategy for a business.

## **Opportunity cost**

- explain what is meant by opportunity cost
- identify the opportunity cost of a business decision
- analyse the impact of opportunity cost on business decision-making.

## **Contingency planning and crisis management**

- explain the nature and purpose of contingency planning
- evaluate the advantages and disadvantages of contingency planning to a business and its stakeholders
- evaluate the impact and importance of contingency planning to a business and its stakeholders
- recommend and justify a contingency plan for a business
- explain the nature and purpose of crisis management
- evaluate a business's crisis management.

## **Models of strategic choice**

- explain the nature and purpose of Porter's Five Forces model
- evaluate a business's position/proposed position using Porter's Five Forces model
- evaluate the usefulness of Porter's Five Forces model to a business
- explain the nature and purpose of Porter's generic strategies
- evaluate a business's position/proposed position using Porter's generic strategies
- evaluate the usefulness of Porter's generic strategies to a business
- explain what is meant by competitive advantage.



# Thinking Conceptually

## **Approaches to teaching the content**

A business strategy is a plan to meet the objectives of the business. In many respects, strategy questions are the most difficult for students to answer because they require a holistic approach to the content and the strategy. A good strategy involves all aspects of the Business specification and students should use what is most appropriate rather than what they can best remember in the examination.

The approach to teaching strategy should not restrict students to a 'right' answer but ask them to justify what they can best argue.

Porter's Five Forces is a useful model to focus businesses on the main influences on their choice of strategy. Students should be able to use this (and other relevant models such as SWOT analysis) to evaluate and recommend strategies in a business context.

By choosing one strategy, a business must reject other options, hence an opportunity cost. Students can often make decisions based on which is the most advantageous approach, but they can struggle to use opportunity cost to make the same decisions.

Both contingency planning and crisis management are ways of approaching unusual situations either through forward planning 'what if?' scenarios (contingency planning) or having

systems in place to react when/if things go wrong (crisis management). A business cannot plan for every contingency (and may be considered inefficient if it does), and a student may need to make a judgement as to the most likely scenarios for which a business should plan in terms of contingency and crisis management.

## **Common misconceptions or difficulties students may have**

Students often struggle with strategy because they do not have enough practice formulating strategic answers. In so much business teaching, the focus is on using one specific piece of knowledge or data. A strategy should look at the business or objective as a whole and try to use all the relevant knowledge and context available. In reality much will be irrelevant but the student needs to know how to sift through the irrelevant and focus on the most important.

## **Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course**

Strategy, opportunity cost and planning links in with every area of the specification. The topic is probably best taught when students have completed most of the specification so that they can use their knowledge in the most appropriate way.



# Thinking Contextually

Any business can form the basis for an investigation of strategy, however the data should be sufficiently complex and detailed to provide students with enough information to make choices of approach and what to prioritise. A context which has an obvious answer and limited data will not allow students to develop their skills in strategically approaching decision-making.

Activities	Resources
<p><b>1. Objectives and strategy</b></p> <p>Students should use a case study of a well-known business that has expanded since being set up (McDonalds or Tesco could both be good examples).</p> <p>Students should then consider four objectives that this business might have established at different stages of its start-up and development (i.e. survival, growth, profit etc). Students should research strategies that the business used at these stages in its development. They should discuss how the strategies help the business to meet its objective.</p> <p>Students should then discuss: if a successful new competitor entered the market, how might the objectives of the business change again? They should consider how this might lead to a new strategy being developed.</p>	
<p><b>2. Strategy and tactics</b></p> <p>A good way of showing the difference between strategy and tactics is to use an analogy with sport. For example a football team will have a set of objectives for the season. To reach this objective, the team will have strategies which encompass a number of matches, such as the team's formation and which players are used in which matches. This is in contrast to tactics which will happen only on match day and adapt to the way each match is unfolding.</p> <p>In groups, students should identify an activity or sport which uses strategies and tactics. They should show how the objectives of the team lead to a set of strategies and then tactics. The activities do not need to be sports-based but they should be real examples, to show their understanding of the terms.</p>	



# Thinking Contextually

Activities	Resources
<p><b>3. Implementing and changing business strategies</b></p> <p>Using examples from their own lives and experiences, students should have a class discussion about changes that have happened. Some examples could be:</p> <ul style="list-style-type: none"><li>• Moving from one school to another</li><li>• Changing a job</li><li>• Moving to higher education</li><li>• Moving from home</li><li>• A new brother/sister</li><li>• Divorce</li><li>• Moving to a new town/home.</li></ul> <p>Students should discuss how the changes were implemented, what was done well and what could have been improved.</p> <p>Students should select an example of a business that has been through a recent change. The more local the business is, the better. Examples might include:</p> <ul style="list-style-type: none"><li>• A new competitor</li><li>• Opening a new store</li><li>• Recession/growth</li><li>• A marketing campaign.</li></ul> <p>In a discussion, students should evaluate how the business may have needed to adapt a strategy to implement the change and how that may have affected the organisation. Discuss the strategies that could be used to implement the change.</p>	



# Thinking Contextually

Activities	Resources
<p><b>4. Strategy and stakeholders</b></p> <p>Students should use a case study (many pre-release case studies for OCR A Level Business Studies F297 are appropriate) that outlines a strategy. Students should draw a table with the main stakeholders of the business (internal and external) in the left-hand column and then identify how the strategy may affect each stakeholder in positive and negative ways.</p> <p>Students should then rank the significance of the effect on each stakeholder (i.e. who is most likely to be positively affected and who is most likely to be negatively affected). If there is any debate, allow students to discuss and argue their points, so that they can come to a conclusion as a group (if possible).</p>	
<p><b>5. Opportunity cost</b></p> <p>Opportunity cost (education portal): <a href="https://www.youtube.com/watch?v=NwOYLV-L7pc">https://www.youtube.com/watch?v=NwOYLV-L7pc</a></p> <p>A short video about opportunity cost.</p> <p>Many teachers have their own activities that demonstrate opportunity cost. The basic principle of giving away one thing for the benefits gained by another is common to anybody who makes decisions. Pinterest has a number of activities that demonstrate this principle and many more can be found with a simple web search.</p> <p>Opportunity cost lessons (Pinterest): <a href="https://www.pinterest.com/stolismom/opportunity-cost-lessons/">https://www.pinterest.com/stolismom/opportunity-cost-lessons/</a></p>	<p> Click here</p> <p> Click here</p>
<p><b>6. Contingency planning</b></p> <p>Students should look at the school's/college's policies for contingencies. The most obvious is likely to be the fire drill. Students should identify: why does the school/college have the plan in place? How often is it tested? What would be the consequence if there was not a contingency plan?</p> <p>Students should then discuss: to what extent does every contingency need to be planned for? They should come up with scenarios, in or out of school/college, that should not be planned for and explain why.</p> <p>In groups, students should brainstorm contingencies that a business might face. They should divide up the contingencies and give one to each student. Students should come up with a viable contingency plan for their scenario. When completed, students should swap plans and analyse the one they have been given (look at benefits and costs). They should decide on the plan to be put into operation and justify their answer.</p>	



# Thinking Contextually

Activities	Resources
<p><b>7. Crisis management</b></p> <p>Using a recent business crisis, students should analyse the business's response and what the business could have done better. They should use examples that are local, where possible, as it will be useful to have examples students are aware of.</p> <p>National and international examples can also be useful: for example, the Fukushima nuclear disaster. Students should investigate the lessons learned from the crisis and how businesses in the area may have had to react.</p> <p>Students could take part in a role-play of a business facing a crisis. In groups, students are given an objective for a business. This could be something as simple as planning for a new competitor opening in the town. At a prearranged time interval, a crisis is introduced to the scenario. Students should show how the business might react and what should it do.</p>	
<p><b>8. Porter's Five Forces in action</b></p> <p>Porter's Five Forces (Mindmeister): <a href="http://www.mindmeister.com/291731392/porter-5-forces-analysis-video-game-sector">http://www.mindmeister.com/291731392/porter-5-forces-analysis-video-game-sector</a></p> <p>Good visual mind map of forces in the video games market.</p>	
<p><b>9. Porter's Five Forces</b></p> <p>As a class, students should discuss the forces acting on a retail business. Ideally the business should be local and one which the students are familiar with. Students could visit the business (to go and see it in operation) as this could help to bring the forces, such as competition, to life.</p> <p>Students should map the forces and indicate how they affect the business at the present time.</p>	
<p><b>10. Competitive advantage</b></p> <p>In pairs, students should be given an industry in which to investigate two leading businesses, one per student. Each student should identify how the strategy for their business led to its competitive advantage.</p> <p>Possible examples include:</p> <ul style="list-style-type: none"><li>• Soft drinks market – Pepsi vs Coke</li><li>• Airline market – Emirates vs Etihad</li><li>• Film studios – Disney vs Time Warner</li><li>• Mobile phone networks – Vodaphone vs O<sub>2</sub>.</li></ul>	



# Thinking Contextually

## Activities

### 11. Exam questions

Questions from the OCR A Level Business Studies H430: <http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/>

- F297 – June 2013 (q3)
- F297 – June 2012 (q1b)
- F297 – January 2012 (q1b).

## Resources

 Click here



# Curriculum Content Measures of performance and forecasting

## Measures of performance

- distinguish between financial and non-financial measures of business performance
- identify financial measures of business performance including final accounts, ratio analysis, gearing, cash flow, budgets and variance analysis
- explain the importance to a business of using financial and non-financial measures of business performance
- calculate financial measures of business performance
- interpret financial measures of business performance
- explain the difference between cash flow and profit
- distinguish between measures of liquidity, profitability and efficiency
- explain why a business's published accounts do not provide a complete picture of performance
- identify non-financial measures of business performance including market share, resource utilisation, environmental impact, quality, customer satisfaction etc
- explain the importance to a business of using non-financial measures of business performance
- explain why businesses measure performance
- evaluate the advantages and disadvantages to a business of measuring performance
- evaluate the performance of a business using financial and non-financial measures
- evaluate the importance of different types of performance measures to different stakeholders
- evaluate the performance of a business from the point of view of different stakeholders.



# Curriculum Content Measures of performance and forecasting

## Forecasting

- explain the nature and purpose of forecasting
- evaluate the advantages and disadvantages of using forecasts to a business and its stakeholders
- distinguish between qualitative forecasting and quantitative forecasting
- describe structured methods of qualitative forecasting including Delphi technique and expert opinion
- describe unstructured methods of qualitative forecasting including brainstorming and intuition
- evaluate the advantages and disadvantages to a business of using structured and unstructured methods of qualitative forecasting
- calculate and interpret a range of quantitative financial forecasts including sales, costs, profit and cash flow
- explain what is meant by seasonal and cyclical variations
- calculate cyclical variation
- analyse how seasonal and cyclical variations impact on forecasting
- use correlations to analyse trends and make forecasts
- extrapolate trends from numerical or graphical data and interpret the outcome
- use time series analysis (moving averages – odd number of years) to predict future values
- evaluate the usefulness of time series analysis for a business
- recommend and justify how a business could respond to forecasts
- evaluate the importance of accurate forecasting to a business and its stakeholders.



# Thinking Conceptually

## **Approaches to teaching the content**

Decision-making is at the heart of Business A Level and good decision-making relies on accurate data. Sometimes data will come from number-based, quantitative sources and sometimes it will be descriptive, qualitative data. In either case the usefulness of the data will depend on many factors. A good manager or decision-maker should understand where data comes from. They should be able to analyse and evaluate the data itself, the techniques used to provide it and then go on to make predictions and forecasts and make the best decision.

The focus of teaching this area of the specification should be to allow students to fully understand how to take numerical and non-numerical data and use it in the most appropriate way to allow for effective decision-making. Therefore students need to be able to recognise and interpret raw data, use it to create more complex pieces of information and then use the information and data to create arguments and make decisions.

It is normal to teach each technique individually and then how it may be used. However it is equally possible to take a more holistic approach and let students discover the techniques and their usefulness through a case study approach.

In an examination, candidates may be told to use specific techniques, be directed to use certain data or pieces of information or be expected to decide for themselves what to use, how to use it and when it is appropriate.

## **Common misconceptions or difficulties students may have**

Numerical and non-numerical techniques for judging business performance can provide powerful arguments when used correctly. However, students are often reticent about using the number-based techniques unless specifically asked to do so. The best answers when a judgement about the performance of a business must be made, use both qualitative and quantitative arguments, and students must be comfortable and familiar with using both.

Forecasting using time series analysis and moving averages is a process that all students should be familiar with. The process of creating moving averages, using the data to find cyclical variations and then using the average of these to predict the future can be complicated for students to understand. If time allows, students should be given the opportunity to practice each step before being asked to combine them all together.

## **Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course**

The techniques behind the measurements for business performance should have already been taught before students try to use them to judge success. The essence of this section of the specification is to bring together elements to analyse and evaluate the strategy of a business. If the techniques are being taught at the same time, much more time must be given over to this than is described below.



# Thinking Contextually

Contexts can range from simple business problems through to complete and holistic case studies, the type found in the A Level specimen papers. It makes sense to start with relatively straightforward case studies when the techniques are being introduced and then add in complexity and reality so that students can use data in a number of different scenarios.

Activities	Resources
<p><b>1. Measurements of business performance</b></p> <p>The class should identify six or seven different businesses. These should include some local, national and multinational businesses. Each business should be known to the students.</p> <p>Split the class into smaller groups and give each group a different business. For the given business, each group should identify ways in which the business's performance could be measured.</p> <p>Using a whiteboard, create a complete mind map of all the different ways that the groups have identified. On one side of the map identify financial measures and on the other non-financial.</p> <p>Make sure that the mind map includes the minimum specification required measurements:</p> <ul style="list-style-type: none"><li>• Financial – final accounts, ratio analysis, gearing, cash flow, budgets and variance analysis</li><li>• Non-financial – market share, resource utilisation, environmental impact, quality, customer satisfaction.</li></ul> <p>This is an ideal opportunity to discuss the difference between cash flow and profitability, which may have been discussed in previous lessons.</p>	



# Thinking Contextually

Activities	Resources
<p><b>2. Financial measures of business performance</b> Individual research task. Students should research the usefulness and the limitations of the financial measures, finding relevant examples where appropriate. The students should focus on the following issues:</p> <ul style="list-style-type: none"><li>• What information can be gained?</li><li>• Why may the financial documents not tell the full story about business performance?</li><li>• What information about the business's performance can be gained?</li><li>• How out-of-date are the financial documents and why might this be a problem?</li><li>• What qualitative information is not in the accounts but may be needed to judge the business's performance?</li><li>• How might the figures be interpreted/compiled in a different way to 'window dress' the data?</li><li>• Why might it be more useful to have data about individual parts/functions of the business?</li></ul> <p>The task can be made easier by giving students a set of published accounts (simplified) to base their task upon.</p>	
<p><b>3. Using financial measures of business performance</b> Give students some financial data about a business. This should include:</p> <ul style="list-style-type: none"><li>• Income statements from two years</li><li>• Statements of financial position from two years</li><li>• Share information from two years (to allow shareholder ratios to be calculated)</li><li>• Cash flow statements from two years (or a statement and a forecast)</li><li>• One or more budgets and actual figures (to allow variance analysis).</li></ul> <p>Ask students to calculate and interpret as many measurements of the business's performance as they can. This could be done as a group or individually.</p> <p>Students should interpret the trend in the data – some evidence should be positive and some should be negative.</p> <p>In groups, students should discuss which evidence is most useful in judging the business's performance.</p> <p>It may help students to have a pre-prepared handout showing the necessary headings for the calculations.</p>	



# Thinking Contextually

Activities	Resources
<p><b>4. Different financial measures of business performance</b></p> <p>Using the figures obtained from the previous activity, or a case study with appropriate figures (the pre-issued case studies from OCR A Level Business Studies H430 F297 examinations will provide a good basis for many of these figures), students should develop arguments to analyse business performance in different ways.</p> <p>In groups, students should be given one aspect of business performance per group. These should include:</p> <ul style="list-style-type: none"><li>• Liquidity</li><li>• Efficiency</li><li>• Profitability.</li></ul> <p>If the number of students allows more groups, then challenge better students by giving them a stakeholder group, such as:</p> <ul style="list-style-type: none"><li>• Shareholders</li><li>• Customers</li><li>• Potential investors.</li></ul> <p>Each group should decide which figures/calculations should be used to argue that the business is improving in terms of the aspect or stakeholder the group has been given. The group should then decide which figures/calculations should be used to argue that the business is not improving.</p> <p>Using the figures, each group should prepare a set of arguments for and against the business performance being judged as liquid/efficient/profitable/successful and then present their findings to the rest of the class. The class can then vote on whether they would judge the business as liquid/efficient/profitable/successful.</p>	
<p><b>5. Non-financial measurements of business performance</b></p> <p>Non-financial factors are vital for measuring business performance and should be taught using case studies combining the numerical techniques and other factors.</p> <p>Using a case study of a business that needs to make a potential investment decision, students should analyse and evaluate the quantitative and qualitative factors involved. They should recommend and justify which investment decision the business should make.</p> <p>In groups, students should discuss each other's justification. They should evaluate and comment on what each student has done well and what could be improved in their analysis.</p>	



# Thinking Contextually

Activities	Resources
<p><b>6. Business performance measurements</b></p> <p>Each student is given an envelope with a number of stakeholders and an envelope with different financial and non-financial measurements of business performance. Students should try to match up the most appropriate measurement that each stakeholder would be most concerned about.</p> <p>In pairs, students should discuss their own choices and come to a joint conclusion about their choices.</p>	
<p><b>7. Exam questions</b></p> <p>Questions from the OCR A Level Business Studies H430: <a href="http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/">http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</a></p> <ul style="list-style-type: none"><li>• F297 – January 2012 (q2)</li><li>• F297 – June 2011 (q4).</li></ul>	<p> Click here</p>
<p><b>8. The need for forecasting</b></p> <p>In pairs, students should research reasons for businesses to forecast in the following areas of a business (pairs could be given different areas to research):</p> <ul style="list-style-type: none"><li>• Sales/revenue</li><li>• Costs</li><li>• Profit</li><li>• Production levels</li><li>• Cash flows</li><li>• Customer satisfaction</li><li>• Employee motivation.</li></ul> <p>Each pair should present their findings to the rest of the class.</p>	



# Thinking Contextually

Activities	Resources
<p><b>9. Stakeholders and forecasting</b></p> <p>Each student should create a table. In the first column, they should include some of the most common areas a business needs to forecast. Across the top row, they should list some of the most common business stakeholders, including:</p> <ul style="list-style-type: none"><li>• Owners</li><li>• Managers</li><li>• Employees</li><li>• Customers</li><li>• Suppliers.</li></ul> <p>Students should identify where each stakeholder may benefit from a forecast in each area of the business and briefly explain this in the appropriate cell of the table.</p> <p>When the tables have been completed, students should discuss and then combine different views, perhaps adding in some disadvantages to stakeholders. Students should then write an evaluation of the advantages and disadvantages of using forecasts for two specific stakeholder groups. This could be done by using a writing frame to support the development of evaluation skills.</p>	
<p><b>10. Qualitative forecasting techniques</b></p> <p>There are many qualitative forecasting techniques and these need to be separated into structured and unstructured. In groups, students should be given a specific technique to demonstrate to the rest of the group.</p> <p><b>Expert opinion (structured)</b></p> <p>Ask the group to become experts on a specific topic from the Business specification, such as ethics. Then give the student group a question about the future of a business or industry that would be affected by that issue, e.g. should the music industry accept that illegal downloading is commonplace in society? Using the 'expert' opinions the class should forecast the likely impacts on a business in the music industry.</p> <p>The Moral Maze (BBC): <a href="http://www.bbc.co.uk/programmes/b006qk11">http://www.bbc.co.uk/programmes/b006qk11</a></p> <p>A Radio 4 programme where experts debate and listen to further expert opinion on topic areas and come to a judgement. There are many episodes from past series on the BBC iPlayer and these can form the basis of a class discussion. As a radio programme it may have limited use for a whole class, but listening to a specific episode could form the basis of a good homework task.</p>	<p> Click here</p>



# Thinking Contextually

Activities	Resources
<p><b>The Delphi technique (structured)</b></p> <p>The Delphi technique requires the use of expert opinion to give forecasts in a specific area, in rounds. At the end of each round the chair of the discussion sums up the forecasts and reasons for them and the experts are encouraged to refine their opinion based on what they have heard. As each round progresses (and more arguments are heard) the experts should refine their opinion and (hopefully) get closer to a good/correct answer.</p> <p>The student group demonstrating this technique should pick a prediction for the future in an area they have some knowledge about. Some areas could include:</p> <ul style="list-style-type: none"><li>• What facilities do they expect in the next generation of games consoles?</li><li>• How might sales of mobile phones change in the future?</li><li>• What might change for society if the age of voting was changed to 16?</li></ul> <p>Using the Delphi technique the students should come to the best answer that the group can on this issue.</p> <p><b>Brainstorming (unstructured)</b></p> <p>This may be a technique that is already familiar to students. The group should pick an area/problem/forecast to brainstorm about and demonstrate how the process may allow creative innovation but also can be used to combine and narrow down ideas with closer analysis. Students could research the 'Disney Method':</p> <p><a href="https://www.youtube.com/watch?v=hE2fZYTdlqA">https://www.youtube.com/watch?v=hE2fZYTdlqA</a></p> <p><b>Intuition (unstructured)</b></p> <p>Students research intuition as a method of forecasting (and/or making decisions) using the Myers Briggs testing format:</p> <p><a href="http://www.myersbriggs.org/my-mbti-personality-type/mbti-basics/sensing-or-intuition.htm">http://www.myersbriggs.org/my-mbti-personality-type/mbti-basics/sensing-or-intuition.htm</a></p> <p>This looks for traits in people that suggest they use intuition well. This could be presented to the class and perhaps a sample questionnaire used.</p>	<p></p> <p></p>



# Thinking Contextually

Activities	Resources
<p><b>11. Time series analysis</b></p> <p>Students are given an example of a well-known business which has an obvious cycle. This could be a business with obvious seasonal cycle (e.g. ice cream vendor), a cycle relating to certain times of year (e.g. Easter egg manufacturer) or any other relevant and regularly repeating cycle (e.g. a school or college). Students should discuss the need for forecasting within the business.</p> <p>Using real or fictional data provided, students should calculate more complicated moving averages and extrapolate forecasts into the future in the form of a moving average table.</p> <p>Students require enough time to progress at their own speed. To extend the more mathematically able students, they could translate the calculations into a graph and extrapolate a line of best fit. These students can compare this with a smoothed, moving average line. Students should add a column to their moving average table, to allow for the calculation of cyclical variations in each time period. Students should use the average cyclical variation to extrapolate data for the future and then add this to the graph as a dotted line.</p>	
<p><b>12. Responding to forecasts</b></p> <p>Decision-making based on forecasts is a key skill when evaluating and recommending strategies for businesses. A useful exercise that can highlight this is to let students plan a real venture within the school or college. This works particularly well when combined with activities such as Young Enterprise.</p> <p>A basic example would be to run a lunchtime 'tuck' shop in school. Students should research and forecast, based on the research, the likely demand for a range of sweets in the school. This can be combined with a time series analysis of the different demands on different days of the week (assuming there may be cyclical variation based on when students are most likely to have money, or even some variation throughout the day/lunchtime period).</p> <p>Based on the forecasts, students should recommend purchasing levels for their first day of trading. If the students are able to run an actual tuck shop, an evaluation of their success in forecasting could be undertaken.</p>	
<p><b>13. Exam question</b></p> <p>Question from the OCR A Level Business Studies H430: <a href="http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/">http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</a></p> <ul style="list-style-type: none"><li>F297 – January 2013 (q1a).</li></ul>	<p>▶ Click here</p>



# Curriculum Content Decision making

## **Decision making**

- explain the nature and purpose of decision-making
- evaluate the impact and importance of effective decision-making to a business and its stakeholders
- evaluate factors which need to be taken into account when making business decisions, including level of risk, nature of risk, accuracy of forecasts, volatility and potential for bias
- explain the relationship between the aims and objectives of a business and its decision-making
- distinguish between short-term, medium-term and long-term decisions
- distinguish between strategic, tactical and operational decisions
- distinguish between quantitative and qualitative decision-making tools
- evaluate the usefulness of different measures of performance: financial and non-financial
- evaluate which course of action a business should take
- evaluate the extent to which a business can be considered a success.

## **Decision trees**

- explain the nature and purpose of decision trees
- calculate and interpret probabilities (in decimals and percentages)
- calculate and interpret economic outcomes and expected values
- evaluate the outcomes shown on a decision tree
- evaluate how a business should respond to the information contained in a decision tree
- assess the importance of the information shown on a decision tree to a business
- assess the usefulness of a decision tree when making a business decision.



# Curriculum Content Decision making

## **Ansoff's matrix**

- explain the nature and purpose of Ansoff's matrix
- distinguish between the quadrants of Ansoff's matrix
- identify examples of strategies for each quadrant of Ansoff's matrix
- evaluate the level of risk for a business and its stakeholders in each quadrant in Ansoff's matrix
- recommend and justify a strategy for a business using Ansoff's matrix
- assess the usefulness of Ansoff's matrix when making a business decision.

## **Conflicts in decision-making**

- explain why the results of one decision-making tool may conflict with those of another
- evaluate a business's decisions based on quantitative and qualitative information
- evaluate the likely success of a business proposal using decision-making tools
- evaluate which course of action a business should take
- evaluate the usefulness to a business of decision-making tools
- evaluate the strengths and limitations of decision-making tools
- evaluate reasons for the success or failure of a business.



# Thinking Conceptually

Decision-making is at the heart of business. Businesses make decisions ultimately to reach their objectives – day-to-day tactical decisions, decisions about strategy, and choices about which objectives should be followed.

We all make decisions, big and small, using a variety of methods. However a business is a collective of stakeholders all using different methods to make decisions and the techniques outlined in the specification are ways of standardising the process and providing objective evidence to back up the decisions being made.

## **Common misconceptions or difficulties students may have**

Students may be asked about decision-making in a number of different ways. They may be asked to evaluate a decision-making tool, to use the tools to evaluate a decision that has already been made or to recommend what decision should be made. Closely studying the wording of the question in the examination is essential to gain the marks available. Students must be able to use all of the techniques in all of the scenarios.

## **Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course**

Decision-making is a concept throughout the specification, and students must be taught when to use each technique to provide the best arguments and evidence to back up their answers.

It is useful to approach each technique individually when teaching, but a combined use of the techniques to fully evaluate decisions is essential to give a full answer. The most difficult type of question in this area is likely to be a one which does not direct a student to use any one technique, but leaves it open for the student to choose what techniques and methods are most appropriate. The danger here is that a student tries to use their own intuition or a common sense approach and ignores the evidence given to them. Students cannot expect to gain high marks on a Business A Level paper if they take a personal approach to decision-making.



# Thinking Contextually

Any business context should involve decision-making, either as an evaluation of decisions already made or a need to make a decision in the future.

It is useful to use smaller, specific case studies and business scenarios when teaching individual techniques, such as decision trees. However as more techniques are understood the approach should incorporate a choice of techniques so that students can choose the most appropriate and understand why each technique may not be fully reliable.

Activities	Resources
<p><b>1. The need for decision-making</b></p> <p>Students should consider an important personal decision e.g. going/not going to university. Each student should describe the process they went through (or plan to go through) stage by stage.</p> <p>In pairs, students should discuss the different stages in their processes. They should identify similarities in the processes and explain any differences that exist.</p> <p>Using a whiteboard, students should brainstorm the common processes in the decision-making processes. They should identify what is essential in good decision-making processes. Students should discuss why any differences exist.</p>	
<p><b>2. The decision-making process</b></p> <p>Google image search: <a href="https://www.google.co.uk/search?q=business+decision+making+model&amp;tbm=isch&amp;tbo=u&amp;source=univ&amp;sa=X&amp;ei=Ujb6UqO0E-NGihgeghICgDA&amp;ved=0CDIQsAQ&amp;biw=1152&amp;bih=585">https://www.google.co.uk/search?q=business+decision+making+model&amp;tbm=isch&amp;tbo=u&amp;source=univ&amp;sa=X&amp;ei=Ujb6UqO0E-NGihgeghICgDA&amp;ved=0CDIQsAQ&amp;biw=1152&amp;bih=585</a></p> <p>Images of decision-making models – good to start initial discussions.</p> <p>Decision-making (tutor2u): <a href="http://tutor2u.net/business/organisation/decisionmaking.htm">http://tutor2u.net/business/organisation/decisionmaking.htm</a></p> <p>An article about decision-making, including some models.</p> <p>Using one of these images of a decision-making cycle, students should consider a business decision involved e.g. Should we expand? or How can we reverse the fall in sales?</p> <p>Students should explain why each of the stages in the decision-making cycle is necessary to achieve the objectives of the business.</p>	<p> Click here</p> <p> Click here</p>



# Thinking Contextually

Activities	Resources
<p><b>3. Factors affecting decision-making</b></p> <p>In groups, students should research one factor that can affect decision-making in a business. The factors should include:</p> <ul style="list-style-type: none"><li>• level of risk</li><li>• nature of risk</li><li>• accuracy of forecasts</li><li>• volatility of internal factors</li><li>• volatility of external factors</li><li>• potential for bias</li><li>• timescale (short, medium and long term)</li><li>• type of objective to be met (tactical, strategic, operational).</li></ul> <p>Each group should produce a report to explain the impact that their given factor can have on decision-making and an example of when this factor has affected a real business decision (this will require research). Groups should analyse and evaluate the effect of this factor on the decision within their report.</p>	
<p><b>4. Stakeholders and decision-making</b></p> <p>Using the example of a large supermarket (or similar retail business) students should be assigned a specific stakeholder group of the business. Students should prepare a PowerPoint presentation on decisions that the business could realistically make, for example:</p> <ul style="list-style-type: none"><li>• to open a new branch near the school/college</li><li>• to make 10% of workers redundant</li><li>• to pursue an objective of CSR</li><li>• to sell a new product.</li></ul> <p>Students should role-play their reaction (as the stakeholder allocated to them) to each decision made. Each student should discuss the positive and negative effects that the decision could produce from their perspective.</p>	



# Thinking Contextually

Activities	Resources
<p><b>5. Making decisions using decision trees</b></p> <p>Use of mini case studies/quantitative questions to build up student's abilities to construct and calculate decision trees. Start with easy decision trees to allow students to build up their skills and progress with more complicated ones. Decision trees with more than one decision node are likely to be the ones students find most difficult.</p> <p>OCR Guidance on decision trees (OCR): <a href="http://www.ocr.org.uk/Images/76453-unit-f248-strategic-decision-making-decision-trees.pdf">http://www.ocr.org.uk/Images/76453-unit-f248-strategic-decision-making-decision-trees.pdf</a></p> <p>Although this is guidance for the Applied A Level in Business, the guidance is in line with current practice.</p> <p><b>Exam question</b></p> <p>Questions from the OCR A Level Business Studies H430: <a href="http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/">http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</a></p> <ul style="list-style-type: none"><li>• F297 – June 2013 (q1a and q1b).</li></ul>	<p><a href="#">▶ Click here</a></p> <p><a href="#">▶ Click here</a></p>
<p><b>6. Making decisions using Ansoff's matrix</b></p> <p>Using a series of mini case studies, each reflecting a different quadrant of the Ansoff matrix, students should discuss the risk of each strategy and (if possible) analyse the outcome of the strategy. Some examples include:</p> <ul style="list-style-type: none"><li>• Market penetration The introduction of a new flavour of soft drink</li><li>• Product development The introduction of salads to McDonalds</li><li>• Market development iPad mini as a follow-on product to the iPad</li><li>• Diversification Tesco and the many different businesses it operates.</li></ul>	
<p><b>7. Strategies from Ansoff's matrix</b></p> <p>Students should role-play a meeting of the managers of a local business. In groups of four, each student should advocate a different strategy: market penetration, product development, market development or diversification. The key element of the meeting should focus on potential risk and the possible rewards.</p>	



# Thinking Contextually

Activities	Resources
<p><b>8. Evaluating decision-making tools</b></p> <p>This activity should be carried out when students have covered a number of the decision-making tools in the Business specification. Students are divided into groups. Each group is asked to evaluate the usefulness to a business of a decision-making tool. Tools could include:</p> <ul style="list-style-type: none"><li>• Decision trees</li><li>• Ansoff's matrix</li><li>• Investment appraisal techniques (quantitative and qualitative)</li><li>• Critical path analysis</li><li>• Time series analysis</li><li>• Product life cycle</li><li>• Boston matrix</li><li>• Porter's force analysis</li><li>• Break-even analysis.</li></ul> <p>This can form the basis of a revision activity where each group produces some notes on the technique as well as a full evaluation.</p>	
<p><b>9. Effective decision-making</b></p> <p>One of the most difficult aspects of decision-making in the Business specification is the understanding that there may be no 'right' answer. Using a case study, students may write a slightly different answer and may interpret information in different ways. All of these approaches can be correct, assuming the analysis is well argued and based on the facts of the case, and all can achieve evaluative marks.</p> <p>One effective way to emphasise this is to give students a case study with a decision to be made. The optional examination papers F293, F294, F295 and F296 from the previous Business Studies specification H430 all have a final question calling for a decision to be made.</p> <p>Each student should produce their arguments and then their judgement (this could be a written answer, a debate or a presentation). Separate the class into the different sides of the argument (i.e. for and against in their final judgement) and let the class argue their positions. Can the class come to a final decision based on the weight of the arguments?</p> <p>This process is especially helpful in aiding students who struggle with evaluation.</p>	



# Thinking Contextually

## Activities

### 10. Exam questions

Questions from the OCR A Level Business Studies H430: <http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/>

- F297 – June 2013 (q3 and q4)
- F297 – January 2013 (q4)
- F297 – June 2012 (q4).

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