A-LEVEL

BUSINESS

7132/2 Business 2
Report on the Examination

Specification 7132
June 2017

Version: 1.0

Overview

Overall this paper proved to be accessible for students on all questions. There were some good examples of high quality responses where students had an obvious understanding of how to address the demands of the question coupled with strong subject knowledge and ability to use theory.

Students responded well across all sections of the paper and frequently used the stimulus material appropriately in their responses. Issues of timing were not apparent and there was a good balance in responses across all parts. However, some students do not help themselves by describing long lists of data instead of spending a couple of minutes planning and combining information and then developing the information into a coherent (and more succinct) paragraph. The focus is very much on quality of responses not the quantity of points made.

High level responses were produced by those students who read and targeted their answers directly at the questions asked, a particular feature of this paper was the number of students who frequently had not focussed on the crux or context of the question and whose responses as a result lacked direction. The use of figures and calculations to support arguments/answers responses on some questions was frequently evident and provided good examples of depth of analysis. Using supporting calculations and combining evidence from the material on numerous occasions helped students to fully develop their lines of argument. It was also good to see the number of students who were able to offer some support to their evaluative statements, although again failure by some students to target the specific question asked limited some of the judgements made. There were though some excellent responses, structuring responses well, answering the question asked and producing conclusions based on the analysis made. Better students made use of the items to highlight arguments rather than writing in general terms. It was also encouraging that many of the new theories in the specification were used appropriately, however as question 3.1 demonstrated there are a number of students whose understanding of these theories and studies is not complete.

A common weakness on this paper was that although students were able to access the material many struggled to follow this through with the development of effective analysis, often due to a lack of targeting the key aspects of the question asked. Many students attempted to offer too many separate lines of reasoning rather than being selective and offering fewer but more developed and focussed points. Few answers lacked any relevant content but there were still a number of responses that were generic and some students drifted away from the question, especially on extended answers. This was particularly the case where there was a lack of clear understanding of the topic they were being asked about. An effective line of analysis will often direct the argument back to the question itself having fully explored the point being made.

A number of students analysed well but their final judgement let them down; the conclusions or lack of them often restricted potentially very good answers. Students need to be more careful about reading the question and understanding what is actually being asked of them. For example question 1.2 clearly asks for calculations and in other questions they are asked for more than one argument e.g. "effects" rather than "effect".

Students need to concentrate on depth and building lines of argument that then inform and relate to the judgements they make. A good judgement answers the question set and links logically to the analysis of the component arguments. Planning responses is essential to achieve this.

Question 1

(1.1) Most students tackled this question well. The majority were able to offer a relevant formula at the beginning and then successfully completed the calculation.

Common mistakes were using incorrect years or incorrect data. The lack of showing workings in some cases inevitably lost some students marks if the answer given was wrong.

(1.2) Some students had a very good understanding of this concept and used figures from the scenario to support their explanation. Often, however, students focussed on one aspect, for example, the 95% or the confidence intervals rather than addressing the whole question.

Some students thought 95% was the difference between the best and worst case when simple arithmetic would have shown this was wrong. Many students missed the fact that the figures were in £000m. Most students did not make explicit use of the figures in their explanation. Students that did not quite understand the concept often stated it was a forecast/prediction but then struggled to explain beyond this.

(1.3) The best responses on this question came from those students that had read and understood the need for supporting calculations, who were then able to perform these correctly and develop lines of argument that related them to workforce effectiveness.

Many lower level answers failed to take into consideration the relative size and scale of the organisations or just repeated the data given in the scenario with no relevant calculations or relationships drawn.

(1.4) There were some very good answers to this question in which students demonstrated their knowledge of theory and where selected and used appropriate data to support their lines of argument. When the data was used students were often very able to develop good responses. Better responses considered the scale of the two companies, concluding that while the discounters had much to offer, the scale of the big four, the brand loyalty, scope of products and target market might make being a discounter unnecessary. Those who did well on this question selected their facts and built cohesive chains or argument, combining data and providing balance. Some students scored very highly with just a few pieces of really relevant and well analysed points supported by data. There were some good conclusions which drew the preceding arguments together well and gave weighted and considered judgements.

Many students failed to get to grips with the requirements of this question. Many listed data and made a number of points but there was little or no development. Weak answers lacked focus and discussed irrelevant material on motivation theory or shareholders investing more. Too many students wasted time by copying out information from the data instead of spending a couple of minutes planning their answer and combining data effectively to develop it into a coherent (and more succinct) paragraph.

Key words like "change", "strategies" and "adopt" triggered many students to describe theory that they had learned, such as Bowman's Strategic Clock, Kotter & Schlesinger's Resistance and Methods to overcome change, carrying out audits of Strengths, Weaknesses, Opportunities and Threats and Strategic Drift and Economies of Scale that were thrown into responses in various degrees of detail without any application to the focus of the question. Many judgements did not follow logically from the preceding analysis,

introduced new issues or threw in generic comments such as 'should do a SWOT analysis' or "it depends on the CEO's attitude to risk".

Question 2

(2.1) This question proved to very accessible to the majority of students. To get full marks there had to be focus on customised cars, higher revenue/lower costs and dividends and/or higher share price/capital gains to shareholders. The best responses effectively made the link between mass customisation, an increase in profits and an increase of share price or dividend payments. Very few did not apply context and very few did not move to analyse the link to shareholders. There was some good understanding of shares and dividends shown.

Some students failed to make the link between increased profits and a direct benefit to shareholders. The biggest weakness was the chain of development from sales and or lower costs to profits, which was often missed; instead an assertion was made that higher profits would occur.

It would appear that due to its accessibility some students spent far too much time on this and tried to develop an answer well beyond the requirements of a 6-mark question.

(2.2) This question on the whole was answered well with students showing a good understanding of interest rates and how a rise in them could impact profit. There were a wide range of answers and it was good to see students coming up with different impacts. To get the highest marks there had to be focus on at least two impacts of higher interest rates specifically related to the car manufacturing industry and how they might cause lower revenues and/or higher costs and thus alter profits. Not all students brought these three elements into their answer but excellent responses used well developed arguments often relating to price or income elasticity.

Those who didn't respond well either gave a single effect rather than effects or didn't relate their answer back to profits. A significant number only developed one chain thus not focussing fully on the question asked. Some answers were quite theoretical and lacked context. A significant minority of students stated there would be 'lower demand so lower profit' without discussing why lower demand was likely or how it might to lead to lower revenue and then impact profit relying largely on assertion to make their point.

(2.3) The best answers related back to capacity utilisation throughout. They also recognised that a price cut may be good for businesses in some industries and not others and in some cases students used examples of these businesses or types of business. In very good responses students were able to consider an alternative to reducing the price and explain why this was better for certain businesses often relating to issues regarding brand image; however the focus of these responses remained very much the effectiveness of a price cut.

Better answers often noted the falling trend of global capacity utilisation and the need therefore to reduce capacity but discussed the difficulty in achieving this in the short term for some specific industries. Some students provided some good service sector examples of under-used capacity – hotel rooms, airline and train seats that provided good context that was used in their arguments.

It was clear that some students did not have an understanding of capacity utilisation and instead just focussed on the impact of cutting price without relating it back to capacity utilisation. A few did not tackle the broader issue of all businesses and just focussed on the car industry. Students frequently recognised that any reference to price cutting could bring in the price elasticity of demand but many were imprecise in their explanation of price elastic/inelastic demand. Too many judgements did not address the focus of the question.

Question 3

(3.1)   The best answers showed a good understanding of Hofstede's theory, linked it to an autocratic approach and explained clearly how the management style needed to change and why this is necessary. Contrasting the UK management style to that of South Africa and its more hierarchical model was a popular approach. This allowed an effective discussion of the differing culture the manager will face in her new environment. Very good students were able to analyse the data well.

A significant number of students did not understand 'Power Distance'. It was evident many had not learnt Hofstede in the depth required to succeed on this question. Some students knew what Power Distance was and could explain it and identify a potential need to change to a more autocratic style, but then did not develop this line of argument. Many interpreted the data the wrong way round or students who knew Hofstede discussed wider theories of cultural difference but lacked focus on the specifics of this question.

(3.2)   This question was done very well by a large number of students. Students who understood the Boston Matrix where able to identify positioning of products and come up with actions which were related back to financial performance. Most understood the word "action" and could make successful suggestions. Better responses recognised the interaction between the products in that milking the Cash Cows and/or using the money saved on the Dog product will fund investment on Question Marks or fund development of new products to replace those reaching the end of their life cycle. Very good students emphasised the potential benefit of having a balanced portfolio that will protect sales and profits in the long term.

Weaker responses simply explained the data rather than analysing how to improve it. A number of students incorrectly identified where products were placed and so developed incorrect lines of reasoning. Some answers lacked the final link to financial performance, lacking focus on the overall question which was a shame for some students who had shown good development to that point.

(3.3)   There was wide variation in the quality of responses to this question. There were lots of potential arguments for students to choose from and plenty of scope to take the question in different directions. However, the best answers were selective in their arguments and analysed these in detail, using supporting evidence from the case study; they also recognised it may be good for some businesses but not others because of factors such as income, age, rural location of population or tastes in different markets and gave examples to support this.

Very good responses used an industry or explained a specific business to make their arguments creditworthy whilst combining elements of the data in support. When students were focused and selective they often found balance/evaluation relatively straightforward and could justify their reasoning with well supported analysis. There were some excellent, well developed, fully focused and completed responses. High scoring students could often

use the scenario combining information, build a chain of argument, bring in wider context and add counterbalance to test their chains of reasoning; they would focus on some and all businesses, not just looking at an extreme. Students were aware of the geography, politics, poverty and wider influences in Africa. Students who scored high marks were those that were able to evaluate throughout, continuously offer context and had a clear understanding of the nature of the market and the product that would be sold and a focus on selling. The idea of "all businesses", was the crucial focus in this response and invited students to consider different business situations and types of business and influences on whether Africa would be an attractive market.

Some students found problems in actually answering about Africa being an attractive market for all businesses and while many gave the pros and cons for selling in Africa many students did a very generic answer without relating it to the focus of any business. They failed to recognise the fact it may be good for some and not others. Some students used the scenario to make sweeping generalisations and comments that were unfounded. Poor use of the data provided in the case was generally demonstrated with descriptive developments provided in responses and little development in analysis. A common issue in evaluation was a failure to focus on selling and instead discussing wider aspects about manufacturing /expansion/relocation and attitude to risk.

Use of statistics

Statistics used in this report may be taken from incomplete processing data. However, this data still gives a true account on how students have performed for each question.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the Results Statistics page of the AQA Website.