

GCE Applied Business

Unit F248: Strategic decision-making

Exemplar candidate responses – June 2011 series

Using both quantitative and qualitative information, recommend and fully justify which of the three options *Tysu Ltd* should choose. [20 marks]

Response 1

[Awarded 14 marks]

This answer was awarded Level 4a and 14 marks. In order to achieve Level 4a the candidate needs to make a justified decision based on either quantitative or qualitative findings about which option *Tysu* should take. The decision must be based upon, and in line with, the candidate's analysis of the options. Without analysis a candidate cannot be awarded evaluation marks.

In this response the candidate discusses each of the three options before concluding that *Tysu* should choose Option 2 (India's Roads). The justification given relates to the fact that, whilst risky, this option has the highest earning potential. The argument has been developed from the candidate's previous analytical argument and is therefore to be awarded Level 4. The sole basis for the decision is quantitative (highest earning potential), with risk used as a qualifier. The response is therefore awarded Level 4a. A mark towards the bottom of this mark band is awarded because the justification is weak and lacking in detail.

- (b*) Using both quantitative and qualitative information, recommend and justify which of the three options *Tysu Ltd* should choose.

From reading over all three of the options, I feel that each one could work and is something that can be built on, and expanded, for the future. For option 1 - Target Europe, I feel that the advantages would be that they are targeting a wider, broader market, therefore, possibly further sales and profit, more people / consumers / customers can access the product more easily and therefore, possibly more sales can be made.

Although saying this, the disadvantages would be that the extra costs such as a translator,

L2

two multi-lingual sales representatives would be needed, equipment to make this operation a success such as more computers/laptops, phones, phone bills, internet etc...

CONT

Also as the factory would need to be busy day and night in order to produce enough 'safersurface' for such a large market, therefore more money would need to be spent on wages etc... to keep

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Tysu Ltd going. This then would need to include long drives, as no would be needed because

CONT

of the new law being introduced called TAC. Finding staff to work late nights or night shifts can be difficult as it means leaving their families or loved ones for long periods of time due to travelling.

Taking all this into account, I feel this option would not be appropriate for Tysu Ltd. The next option - India's roads also has its advantages and disadvantages.



17

and I believe that the advantages to this option would be that everything is NEW, so it's a new market, new products, new company etc... so this could be something that could expand further.

Appendix two, backs up the idea which is positive along with appendix 5, "India to build greatest number of highways in the world"

As the massive, largely-automated tyre crumb processing plant, reliant on flow production methods would be built in India, and ~~operated~~ operated by local workers. This is very positive as employment in the forecast can be cheap, lowering costs for Tyso Ltd.

The disadvantages to this option would be the huge estimated cost of £1,200,000 and with such an expensive project would need to

[Total: 24]

Justified decision, quantitative only

**ADDITIONAL
ANSWER SHEET**

GCSE and GCE Examining Bodies

Examining body	[REDACTED]	Centre number	[REDACTED]
Candidate name	[REDACTED]	Candidate number	[REDACTED]
Paper reference		Sheet number	1

Question
number

66* be equity funded through the involvement of a venture capitalist. The directors, emphasising the high earning potential of this option, estimated payback period to be just over three years, this could work if it. Moving on to the last option - Artificial grass, I feel that the advantages to this option would be something that can be sold all year round because the product - artificial grass can be played on all year round as it is all weather material. Many of Tys Ltd's customers who purchase from its 'safe surface' range also require artificial grass, giving perhaps more sales to the company. The disadvantages to this option would be that more staff and equipment would be needed etc... an estimated cost of £50,000 with a payback period of two and a half years. Considering all the points and taking everything into consideration, I believe that option two may be

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6b) the most expensive and perhaps "risky", but, has a much better high earning potential at the end of it. Therefore if I was TYSU Ltd I would go for option two. As somebody ~~is~~ recommending this option, like any business would, I would highly recommend that a contingency plan is taken into action. I'm confident that as India is more invested in, the growth will be huge, meaning larger profits and as ~~per~~ according to appendix 5, traffic is increasing rapidly ~~at a rate of 7 to 10% per annum~~ of 7 to 10% per annum in the country and so is the number of automobiles. Whilst they are over in India, new opportunities could arise for the company with new markets to explore in. That's why I believe this is the best option for TYSU Ltd. If they were to not choose this option then I believe the second best option would be option 3 - Artificial grass, then I would lastly choose option 1 - targeting Europe.

Response 2

[Awarded 8 marks]

This answer was awarded Level 3a and 8 marks. This level is awarded to responses which make two or more analytical comments about one of the options.

The candidate methodically compares all three options, entering Level 2. However, two of the comparative comments relating to Option 1 'lowest NPV' and 'lowest cost' are developed analytically to explain the respective drawback and benefit to the business. The Level 3 consequence of Option 1 having the lowest NPV is linked to Tysu Ltd not being able to fulfil its objective of profit maximisation. The Level 3 consequence of Option 1 having the lowest cost is linked to not needing to pay additional interest charges on a loan. These are the only two analytical statements in the entire response.

At the very end of the answer the candidate does make a decision, but the justification is far too vague to be awarded – Option 2 seems to fulfil most of Tysu's objectives. Therefore the response is awarded 8 marks for containing two analytical comments about Option 1.

- (b*) Using both quantitative and qualitative information, recommend and justify which of the three options *Tysu Ltd* should choose.

CONT

All three options have their advantages and disadvantages..
Option 1 would fit into the Market development ^{L2} strategy in terms
of Ansoff's Matrix. Usually this would mean trying to attract
customers in a new market, however, Tysu believe that & are
convinced that there would be a ready market for 'Safer Surface'
in Western Europe. This means that a lot of time and finance
can be saved on doing any market research as Tysu are already
convinced that there is a market. If they are successful in this
operation, they may then be able to think about targeting eastern
and central Europe in order to further fulfill their aim of
maximising profits. An advantage to the Marketing development
strategy is that Tysu will not have to change much of their

business plan, however, changing their business plan could have been a reason for them to re-examine their employment and production problems and to help fix them. Out of the three options, option 1 has the lowest Net Present Value.

CONT

This could be a disadvantage as their potential of maximising profits and fulfilling their objective ~~could~~ could be lost.

L3

By choosing option 1, Tysu must consider the affect that exchange rates may have on their business as Appendix 4 shows that manufacturing capacity may be lost unless businesses are able to plan on a stable

L2

exchange rate. Option 1 has the quickest payback period out of the three options along with the lowest cost which would be funded by Tysu Ltd's reserves. This is a good way of saving finance as Tysu won't be in debt or have to pay any interest to banks or financial societies.

L3

Option 2 is the most ambitious yet risky option to choose for Tysu. Although it has the highest Net present value, the costs are extremely high of £1,200,000. This option would depend on whether or not Tysu finds a venture capitalist to help fund it. The advantage of a venture capitalist is that, if this option fails, Tysu will not be in complete debt of £1,200,000 but the venture capitalist will also have to pay the price. However, Tysu must be willing to give the venture capitalist an equity share which could be a large amount of their business. However, they would be fulfilling their three objectives of maximising profits, keeping investment returns high and stabilising growth of the business if they were to go ahead.

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Also, within the UK and EU, Tysu's activity is limited by the governments regulations of tyre disposal. In India, the laws may not be as strict and therefore there may not be many firms that are entering the tyre disposal market in India. This means lower competition for Tysu which is an advantage. It is likely that Tysu may need to employ separate managers for option 2 and also create a new business plan, this ~~will~~ ^{could} give Tysu to re-examine the current situation in Tysu's UK business which may lead to good changes being made in employment and the production facilities. ~~as everything~~ The payback period is the longest for this option, ^{L2} however, the directors emphasise the high earning potential of this option.

Option 3 is more of a short-term strategy that will help to increase sales. The product development strategy is a low-risk option. However, Tysu already have a customer base for artificial grass which gives Tysu ^{CONT} competitive advantage. Also, many firms may not be operating in this market because the production of it is a long and costly process so ^{L2} therefore this takes pressure off the prices and competition. Also, unlike ~~option~~ option 1 and 2, ^{L2} exchange rates are ~~not~~ ^{not} involved in this option as it is based in the UK. [20] [Total: 24]

Concluding all that has been said, although all three options have their advantages and disadvantages, option 2 seems to be the one worth going ahead with as it would fulfill most of Tysu's objectives if it is successful.

Evaluate the benefits and drawbacks to Tysu Ltd of making contingency planning a priority. [14 marks]

Response 1

[Awarded 2 marks]

The candidate suggests at least two benefits and one drawback of contingency planning. These valid points are re-emphasised in the conclusion. Despite occasionally mentioning 'Tysu Ltd' the candidate is only name dropping and all of the arguments – resume normal working, know what to do in a crisis, and time implications – have not been contextualised to Tysu Ltd's situation, they would all apply generically to any business.

This response, although containing a substantial amount of knowledge relating to contingency planning, does not apply this knowledge to the pre-issued case study and is therefore limited to a Level 1 and a maximum of two marks. Two marks are awarded.

(b) Evaluate the benefits and drawbacks to Tysu Ltd of making contingency planning a priority.

The benefits of Tysu making a contingency plan include that Tysu can use the contingency plan in times of a crisis to resume normal working conditions/environment as quickly and efficiently as possible e.g. if workforce took industrial action. Also a contingency plan will help put Tysu's business objectives on track or aims back on track e.g. maximising profit which is Tysu's main priority. However there are disadvantages of contingency planning which include the fact it takes a lot of time to draw up a contingency plan and they say in business that time is money which could hinder Tysu's aim. Also another drawback is

Time, ... j ...
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that not every scenario will be considered because there could be unforeseen circumstances which means the contingency plan for Tysu would not be as useful.

Another factor is that planning can never be perfect which means the contingency plan is not as effective to Tysu as it could be.

However a contingency plan would still be useful to Tysu because if there was a crisis the contingency plan would help to minimise the negative impact and therefore would benefit Tysu and therefore would be important to make it a priority.

Also during a crisis a contingency plan would be useful because everyone within the business would know how to deal with the crisis so that Tysu can make dealing with a crisis more efficiently.

To conclude Tysu should make a contingency planning a priority because the proactive process will help Tysu deal with any potential crisis in the future and minimise their impact but there are some drawbacks such as Ty \$ time and the fact planning can never be perfect Tysu have to consider [14]

[Total: 17]



Response 2

[Awarded 3 marks]

Having made their introduction the candidate gives two benefits and a drawback of contingency planning – respond quicker, lower impact and time consuming – all of these lack context and place the response at the top of Level 1. At the end of the answer the candidate moves on to talk specifically about the industrial action threatened at Tysu Ltd.

The response is awarded Level 2 and 3 marks for the one benefit given in context about shortening the time Tysu Ltd would be without workers caused by strike action being taken by the workers at Tysu who feel underpaid and overworked. Whilst one benefit without context affords one mark, one benefit with context affords three marks, such is the benefit of writing in context on an applied course.

- (b) Evaluate the benefits and drawbacks to Tysu Ltd of making contingency planning a priority.

NAQ A contingency plan is a method to help prepare for disasters and unexpected events that will affect the business.

Advantages to Tysu of producing a contingency plan are that if an unexpected event happened they would be more prepared for it and would not need crisis management. This means they could respond quicker to any events and lower the impact it will have on the business.

Disadvantages of contingency plans for Tysu are that they can be very time consuming as they have to factor in many different events. This time could be used more wisely for Tysu such as improving conflicts with stakeholders so they don't need a contingency plan for the conflicts. Contingency plans can also be costly and a Tysu

could be paying for something that ^{might} never be used. It is also very hard to predict what may arise in the future, so it will be hard for Tysu to know what they need contingency plans for.

Overall, I see contingency plans are not a priority for Tysu as they have many issues that need to be sorted out first e.g. the poor labour turnover rate. However I see it is important that Tysu start to think about a contingency plan about their staffing issues and in case of industrial action. It is clear that there is many staffing issues over low pay and an increase in the workload and this may lead to industrial action. ^{CONT} If Tysu have a contingency plan ready for industrial action they can keep the business running through the action and will shorten the time in which they don't have workers. Apart from the staffing issues Tysu do not have many issues they need to think about. They still need to be aware of unexpected events that may happen but I do not see contingency planning as a priority except staffing issues.

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[Total: 17]



