



A-level
BUSINESS
7132/3

Paper 3 Business 3

Mark scheme

June 2022

Version: 1.0 Final



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Marking guidance

- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a limited response? A reasonable one? A good one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at; refer back to standardisation scripts regularly.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response ‘well-argued’ but does not focus fully on the issue of ‘long term’ feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: ‘unbalanced and not comparing with alternative solutions’ does not sound as if it is ‘good’.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

Annotations Key

KU	Knowledge and understanding – used to credit knowledge of the specification and also to acknowledge ‘points’ made in relation to the question , perhaps explained, but once the point has some analytical dev, annotate AN or ARG
Bal	Balanced response, eg both sides acknowledged with at least a valid ARG on either side
AN	Analytical but lacks context, ie a theoretical line of argument
ARG	Argument (analysis in context)
DP	Developed argument (well-developed analysis in context)
Rng	Range of arguments, ie two ARGs presented
J	Judgement with support
Q?	Losing/lost focus – not fully focused on the demands of the question
BD	Benefit of doubt – though there is some uncertainty over the student’s meaning , the point or aspect of the argument will be accepted as creditworthy
NR	Not relevant – ie not answering the question – response has drifted from answering the question set. When using, be sure to read the whole response carefully – students will often drift back to answering the question later in their response – normal annotation should resume whenever they come back to addressing the demands of the question
O	Own figure rule – to be annotated where a valid argument develops following a miscalculation (ie a wrong answer is used correctly)
SEEN	Used to show work has been read but contains nothing creditworthy – please check carefully (See NR)
Tick	ONLY used to show a correct calculation – please use KU when annotating valid points
Cross	To show an incorrect calculation or a clearly incorrect link in a chain of logic – if in doubt, do not cross, use BD
?	Meaning unclear
R	Repetition
Eval	Indicates valid evaluation within the response
NFF	Not Fully Focused - retains some relevance to the question asked but not fully focused on the specific question asked

0	1	Analyse the factors affecting SSN Ltd's promotional decisions.	[12 marks]
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Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. 	9–12
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. 	5–8
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context. 	1–4

The demands of this question are:

- analyse factors affecting promotional decisions
- link these to aspect(s) of SSN Ltd's context.

Indicative content:

- B2B – focus on target market of decision-makers in large businesses – so promotional channels must be able to reach these. **Appendix B** shows methods that may achieve this.
- An image of trustworthiness and reliability will be key in this market which may rely on creating an image of being a large established business – which could explain sponsorship as a means of pushing the company's wider reputation. This will also affect messaging behind promotional activities.
- Online only – not likely to mean only online channels should be used – note the relative importance of personal selling.
- Focus on large businesses as customers probably increases the amount that needs to be spent on promotion, in order to access channels that will reach decision-makers within these companies.
- Bemis majority owns and controls the business – therefore her say is likely to override the opinions of others in making promotional decisions.
- The product's position on the Boston Matrix (probably a star, with high share of a high growth market) suggests heavy promotional spending will be needed to protect market share in a market that will be attractive to new entrants.
- Finance available – SSN Ltd is short of cash and heavily indebted – therefore budgetary constraints are likely to influence the promotional methods chosen

- Promotional decisions may consider both methods of promotion used and the message behind the promotional activities.

Accept other relevant arguments

NOTE: One factor with well-developed analysis applied effectively to the context should score 9 marks

0	2	Analyse how copyright may have been important to the growth of SSN Ltd.	[12 marks]
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Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. 	9–12
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. 	5–8
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context. 	1–4

The demands of this question are:

- show a clear understanding of the importance of protecting intellectual property
- analyse the importance of copyright in SSN Ltd's growth.

Indicative content:

- once SSN started to grow, copyright will have ensured that larger, established rivals could not directly copy its systems – protecting the business from these bigger rivals while it grew
- SSN Ltd has an effective monopoly over this piece of technology – this may allow it to attract large customers desperate to use this system – boosting total sales rapidly
- if clients can be convinced this unique service is exactly what they need, these clients will find it hard to move elsewhere – enabling the business to retain most customers it attracts
- insulation from direct competition could allow relatively low advertising costs freeing funding for other aspects of growth
- the company have a USP that can be used in promoting the service – allowing it to attract new customers and possibly charge a premium price, helping to fund future growth
- the value of the copyright may have enabled SSN Ltd to access extra finance for growth.

Accept other relevant arguments.

NOTE – analysis of just ONE reason is sufficient to fully meet the demands of the question

0	3	Using information from Appendix C and the case study, recommend whether the use of debt factoring is a good way for SSN Ltd to improve its cash flow.	[16 marks]
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	13–16
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	9–12
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	5–8
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	1–4

The demands of this question are:

- analyse the impact of using debt factoring to improve cash flow
- use data from **Appendix C** and the case study
- make a judgement on whether debt factoring is a good way for SSN Ltd to improve its cash flow.

Indicative content:

- Debt factoring provides an immediate injection of cash flow in situations where services have been sold on credit.
- SSN Ltd currently have £16.5m of receivables. Factoring this would result in an immediate cash injection of around (80% of £16.5m) £13.2 million. This would enable the overdraft to be cleared or a large proportion of the £18m payables to be covered.
- Converts money owed into cash very quickly – SSN's cash flow problems are immediate.
- SSN Ltd will have cash and so will be able to meet current liabilities as they fall due.
- The factoring company takes responsibility for collecting the money – something that SSN Ltd have not achieved successfully recently. This could also help to preserve a positive relationship between the business and its debtors.
- Risk has been passed to the factoring company, to some extent – SSN Ltd would be helped by any reduction in financial risk in its current circumstances.

However:

- The factor's fee reduces the margin on each transaction. With £16.5m owed, if 5% factor's fee is deducted, that would mean lost revenue of £825 000. Over the course of a year a 5% reduction in revenue would be disastrous – current operating margin is just 3.03%.
- Bemmi likes to be in control, but has been concerned that she is finding it increasingly hard to monitor what is happening within the business. Passing control for collection of debts to the factor may leave her feeling that monitoring cash is even harder.
- Passing on the responsibility for payment collection to a factor may leave customers feeling they are less valued by SSN Ltd
- Other methods of improving cash flow may be more effective

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of the suitability of debt factoring to SSN Ltd's circumstances. SSN Ltd's operating profit for last year would have been eliminated if revenues were reduced by 5% – suggesting that factoring does not represent a viable long-term solution, however, responses that suggest factoring is a sensible short-term solution should be credited. Other sensible proposals should also be credited but are not required.

NOTE – responses that do NOT meet the first demand of the question cannot progress past Level 2 of the marking grid

0	4	To what extent might SSN Ltd benefit from changing its power culture to a role culture?	[16 marks]
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	13–16
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	9–12
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	5–8
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	1–4

The demands of this question are:

- analyse the benefit(s) of the existing power culture and potential benefit(s) of a move to role culture in the context of SSN Ltd
- make a judgement on the extent to which SSN Ltd might benefit from a change from a power culture to role culture.

Indicative content:

Benefits of existing power culture:

- quick decision-making with nobody expecting Bemis to consult – which enables Bemis to seize opportunities in a rapidly evolving technology-based market
- a single-mindedness to the organisation providing a clear steer to decision-making and direction – decisions are taken on a basis of ‘what would Bemis do’ – which could be effective if her decision-making principles are clearly understood throughout the business
- the power culture may have encouraged risk-taking which has enabled the business to grow rapidly – evidenced by the data in **Appendix A**.

Benefits of a role culture:

- Bemis is finding it hard to monitor and effectively control the business after its growth (perhaps indicating a crisis of autonomy). Clear roles would help ensure accountability for decision-making. At present, decision-makers are trying to ‘second-guess’ Bemis’s wishes, a role culture might encourage her to use delegation more effectively, ensuring more effective decision-making throughout the business.
- Managers to whom some decision-making power is delegated are likely to become more motivated
- Decisions are more likely to be taken by specialists
- May reduce an excessively risky approach to decision-making – with role culture’s emphasis on following procedures, it may temper the organisation’s attitude to risk.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of whether the benefits of cultural change outweigh the drawbacks.

Recognition that a power culture can be highly effective in the early stages of a business, but less effective once the business has grown could be applied to this context effectively. Judgement may also seek to address in what ways a change in culture would be beneficial – the changes implied by a shift from power to role culture may bring financial and organisational benefits, but may also slow SSN Ltd’s reactions to market changes, perhaps preventing the kind of growth that it has experienced so far. Meanwhile, responses suggesting that cultural change may be welcomed in some of the company’s offices and less so in others would be able to use Hofstede to justify this.

Effective responses may recognise not only the benefits to SSN Ltd of each cultural type but also the challenges involved in changing culture. In this context it may be hard for Bemis to relinquish the power that she has wielded and the company’s rapid growth is likely to be attributable to its power culture. However, the difficulties of cultural change may be eased when an organisation is struggling financially with key stakeholders better able to understand the need for change. Cultural change may come too late for the business if failure or takeover come quickly.

0	5	To what extent would the reactions of SSN Ltd’s stakeholders to the possible takeover be likely to lead to conflict between those stakeholders?	[20 marks]
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Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout. 	17–20
4	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	13–16
3	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	9–12
2	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	5–8

1	<p>A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–4
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The demands of this question are:

- analyse the reaction of stakeholders to the possible takeover
- analyse potential conflict between stakeholders
- make a judgement on the extent to which the possible takeover would lead to conflict between stakeholders.

Indicative content:

It is hard to envisage a scenario in which no conflict will arise.

Analysis will examine potential conflicts between these reactions.

- Shareholders may benefit (BOD exactly how they would gain financially). Bemis is the majority shareholder and may resist if she feels she can keep 'milking' the business for dividends. Other shareholders may feel similarly. Bemis, however, may welcome the opportunity to 'cash in' on her hard work and receive a one-off payment for her shareholding (51% of £50m = £25.5m, but can use OFR if response states she will receive £50m)
- Employees may feel insecure as the takeover is reportedly likely to result in redundancy for all staff.
- Customers may not want the takeover to go through – they will see this as consolidation in the market that may well lead to higher prices for cybersecurity software.
- Suppliers may also have negative feelings towards a deal that is likely to lead to the loss of a customer and increase buyer power within the market through consolidation.
- The business may collapse soon so if the competitor buys SSN Ltd, at least some stakeholders see an upside.
- Given the perilous financial state of the business, shareholders may see this as an opportunity to 'cash out' before finances turn sour.
- Some employees may recognise that the business is in a difficult financial position and may harbour hopes of retention after a takeover that could improve financial stability.
- Bemis may be resistant if she sees the business as an extension of herself and does not wish the company she has built from nothing to slip from her control.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on the likelihood of stakeholder conflict.

This scenario is a little unusual as the business is clearly struggling to survive. The result is that there may well be far less conflict than might ordinarily be the case. However, it is likely that there will be some conflict between groups, with some clearly identifiable groups likely to be against the takeover.

NOTE – responses that effectively address the likelihood of stakeholder conflict arising as a result of the proposed takeover should be considered at least reasonable.

0	6	<p>‘Without strategic planning all businesses are doomed to fail.’</p> <p>To what extent do you agree with this statement?</p>	[24 marks]
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Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

Level	The candidate will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout. 	21–24
4	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	16–20
3	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	11–15
2	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	6–10

1	<p>A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5
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The demands of this question are:

- analyse the role of strategic (future) planning in preventing business failure
- analyse how businesses can survive, or even thrive, without strategic planning (ie reacting to issues as they arise)
- make a judgement on the extent to which a lack of strategic planning will lead to business failure for all businesses.

Indicative content:

Contingency planning should be accepted as a form of strategic planning

A lack of strategic planning will lead to failure because:

- market trends may be missed or not reacted to – for example technological change which radically alters a market can be spotted and plans implemented to adjust to the changes – Nokia failed while Apple succeeded
- the business may lack a logical and overarching plan to co-ordinate business resources and ensure that the resources required can be acquired
- strategic drift is more likely to occur.

A lack of strategic planning will not necessarily lead to failure because:

- Intuitive decision-making may allow great innovations to take place, where a more considered strategic approach to planning may shy away from risk.
- Emergent strategy can be effective but, by definition, does not involve the realization of traditional long-term strategic planning. Businesses can thrive through effective use of emergent strategy.
- Business failure is ultimately the result of a shortage of cash. Managing cash effectively may not require strategic planning, merely careful cash management.
- Strategic planning has limitations. There are plenty of reasons for failure that may not be prevented by strategic planning:
 - A plan must be implemented effectively in order to provide benefit to the business. Failure in implementation is a very common cause of business failure.
 - Without effective leadership to drive strategic action, a business may choose the wrong strategy or fail to implement the plan effectively.
 - Organisational structure may hamper efforts to follow the right strategic plan – a business expanding internationally into markets where the need to respond to local conditions is high will need to ensure a decentralised structure – centralised decision-making will not enable local conditions to be satisfied.
 - Poor communication within an organisation may also mean strategic plans are not implemented effectively.
 - Economic change may be very hard to predict – neither the financial crash of 2008 nor the global pandemic of 2020 were widely foreseen. Such unpredictable events may drive businesses into failure, although to some extent contingency planning may help to mitigate this risk.
 - Technological change can be the result of an innovative breakthrough by one business which effectively protects its intellectual property – meaning rivals simply cannot develop a product or service to compete given the HR and/or financial constraints they may face.

- The arrival of a new competitor may ‘come out of the blue’ – ie be unpredictable, thus impossible to plan for. Where the competitor is especially powerful this may spell doom for existing companies who would have been unable to plan for such an eventuality.

At SSN Ltd:

(there is no expectation to refer to SSN Ltd, but it can be used as valid context)

(a response that SOLELY considers SSN Ltd as a context would not fully address the third demand of the question re. ‘all businesses’)

- Bemis’s lack of willingness to adopt a strategic planning approach is likely to lay behind many of the business’ issues, including a failure to build an organisation that effectively manages its finances.
- Growth for the sake of growth is rarely an effective strategy, especially if a strategic plan is not developed to head off the problems of growth.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of situations in which the statement could be true, weighed up against situations in which a business may survive or thrive without strategic planning. A consideration of timescale would be a valid route to judgement – since strategic planning deals with long-term issues, it is failure on the long-term which is more likely, although short-term performance, whilst the external environment remains relatively stable, may be fine.

The extent to which a lack of strategic planning may or may not lead to failure depends on:

- the rate of change in the market or industry in which a business operates
- the quality of management decision-making, which may be affected by experience of market insight
- the extent to which the strategic plan is effectively implemented
- the quality of the strategic planning – were the right choices made?

Overall:

A lack of strategic planning is almost certain to increase the chances of business failure. However, it does not guarantee that all businesses are doomed. There are circumstances in which businesses can thrive or at least survive without strategic planning, whilst there are causes of business failure which strategic planning may be unable to prevent.

Appendix 1

Though no question requires the calculation of financial ratios, some students may have attempted to calculate ratios for SSN Ltd to help contextualise their responses. The most commonly used ratio values are shown in the table below:

Ratio	Value
Current ratio	$\frac{\pounds 17\text{m}}{\pounds 23\text{m}} = \mathbf{0.74}$
Gearing	$\frac{\pounds 18\text{m}}{\pounds 19\text{m}} \times 100 = \mathbf{94.7\%}$
ROCE	$\frac{\pounds 5\text{m}}{\pounds 19\text{m}} \times 100 = \mathbf{26.3\%}$
Operating profit margin	$\frac{\pounds 5\text{m}}{\pounds 165\text{m}} \times 100 = \mathbf{3.03\%}$
Receivable days	$\frac{\pounds 16.5\text{m}}{\pounds 165\text{m}} \times 365 = \mathbf{36.5 \text{ days}}$
Payable days	$\frac{\pounds 18\text{m}}{\pounds 50\text{m}} \times 365 = \mathbf{131.4 \text{ days}}$
Inventory turnover	$\frac{\pounds 50\text{m}}{\pounds 0.5\text{m}} = \mathbf{100 \text{ times}}$