BUSINESS ADVANCED LEVEL

Paper 8929/5171
Business Organisation and Environment

General comments

There are several areas of continuing concern arising from this examination.

It would be helpful if invigilators were asked to guide the candidates before they start the examination. The information on the front page needs to be read out aloud in a clear voice to the candidates so there is no question of misinterpretation of how they should proceed.

Where candidates use loose sheets rather than an examination booklet, invigilators should check that the sheets have been assembled in the correct order.

Candidates must read both the case study and the accompanying tasks carefully. They must ensure that they understand precisely what the Examiner wants them to do. All too often, candidates fail to do justice to themselves simply because they either misread or fail to comprehend a task. Prior to the start of the examination, it must be reiterated that 15 minutes' reading time is provided in order to help candidates become acquainted with the contents of the examination paper.

The purpose of having the case study is to expect candidates' responses to be made in the appropriate context. This means that responses should, where appropriate, be clearly related to the case study. Marks are often lost if the context is disregarded. It is not enough to display knowledge; it needs to be applied to the case study.

Poor examination technique remains an ongoing issue and still hinders the achievement of higher marks for many candidates. Teachers are strongly advised to address the subject when preparing their candidates for the examinations. Previous examination papers and the Principal Examiner reports are readily available and it is recommended that they are used as resource material during the revision period.

It is equally important that the entirety of the syllabus is taught; some tasks were poorly answered owing to a general lack of business knowledge.

Candidates must learn that a succinct and focused answer is preferable to one that is lengthy and offers little substance. They need to differentiate between the demands of different value tasks. There is little to be gained from writing a detailed answer to a 2 mark task and then giving scant attention to one offering 4 marks. Candidates are not expected to write lengthy essay-type answers but they must write sufficient detail to demonstrate to the Examiner that they understand the tasks.

It is readily acknowledged that the majority of candidates undertake the examination in a second language. Incorrect spelling and grammatical errors are not taken into consideration. The demonstration of business knowledge and, where required, the evidence of reasoning, is much more important than the quality of written language. However, it must be emphasised that very poorly expressed answers, especially those which expect the Examiner to guess a candidate's meaning and intention, may not be marked very favourably. Teachers need to emphasise these points when preparing candidates for the examination.

Candidates must not underestimate the importance of time management. Mostly candidates are able to attempt all the tasks within the allotted time but it is quite clear in every examination that some answers are hurried. It is appreciated that an examination will put candidates under pressure but teachers need to instruct them on how to pace themselves and not panic because of the time constraint.

Layout is still an issue although, overall, scripts seem to be better presented. It must be acknowledged that unclear or untidy scripts can present Examiners with unnecessary difficulties. No marks are deducted from scripts where candidates ignored advice about, for example, leaving margins clear, or starting each task on a separate sheet of paper, but teachers and candidates must acknowledge that these instructions have a purpose.

There are still candidates who insist on copying out the tasks. It is not necessary and wastes valuable examination time. Weaker candidates often respond to tasks by copying out segments of the case study which prohibits the award of full marks.

There are those candidates who answer tasks with bullet points. A series of bullet points may well contain the correct information or data but they do not conform to any instruction to describe or explain. Marks will be awarded for bullet points but not the full amount.

Comments on specific questions

The case study was about a young airline flying between the UK and China. The company, Lucky Jet, connected Birmingham, which is in the industrial heart of the UK, with Shanghai, which is an area of enormous business potential. Candidates were expected to respond to the tasks in context wherever appropriate.

Question 1

(a) This task called for the explanation and justification of two of Lucky Jet's business objectives.

(i) The first was economic survival. This meant exactly what it said – survival. All businesses worry about economic survival but Lucky Jet had entered a highly competitive and expensive market. Most candidates understood the point about survival but did not apply it to Lucky Jet. An acknowledgement was required that Lucky Jet had seen a gap in the market and its initial development may not have been cost-effective. Lucky Jet faced difficulties arising from increased costs like landing fees, licences, fuel, and maintenance.

(ii) The second was continuous product development. Apart from the few candidates who related the term 'product' to manufacture, most responses did not really relate to Lucky Jet. Generally the responses were weak and barely suggested that in order to keep its place in the market the company had to innovate and respond to clients' needs. Candidate's should have acknowledged that Lucky Jet's success resulted from developing a quality airline service; that it was necessary for the company to continue monitoring its service and improve it as appropriate; and that it had to be aware of competitors' reactions and the changes they made in their service.

(b) It was stated that finance would always be a concern for the airline and candidates were asked to discuss profits and leasing.

(i) This activity asked for a description of what was meant by ploughing-back profits. Mostly, candidates knew about ploughed-back profits (and that they were also known as retained profits) but were often confused as to their purpose. A firm statement was required pointing out that ploughed-back profits reinvested in the business to help fund, for example, renewal and expansion. The most important issue, overlooked by the majority, was that the ploughed-back profits provided a ready and cheaper source of long-term internal finance for Lucky Jet.

(ii) This task called for an explanation of how leasing could help the airline's finances. It was clear in the text that the company was using two aircraft and lines 3 and 4 said that 'Lucky Jet owns one of the planes outright and leases the other'. The majority of candidates took the view that Lucky Jet was leasing out aircraft and gaining income from that operation. As such, this was not a successful task. A good response would have recognised that leasing was a means by which Lucky Jet could acquire assets i.e. aircraft without raising the initial cash investment implied by purchasing. Leasing avoided an adverse effect on the cash flow and released capital for other, and perhaps more profitable, uses. The leasing of one aircraft enabled the airline to operate two aircraft on the UK-China route without being committed to a large investment. If passenger numbers fell Lucky Jet could return the leased aircraft.

(c) With reference to Lucky Jet, candidates were asked to explain the difference between fixed and variable costs and give an example of each. Most candidates were able to offer basic definitions of the costs but few applied them to the airline.

Generally speaking, in the short run, fixed costs do not alter in relation to changes in demand. They have to be paid whether Lucky Jet flies its aircraft or not. Examples include interest payments, depreciation and rent of the hangar.

By contrast, variable costs vary in direct proportion to changes in output. Examples would include additional staff (if passenger numbers increase), fuel charges and landing fees.

Question 2

(a) An explanation was required of what Ms Wong meant when she said her leadership style was democratic. Whether Ms Wong was democratic or not was to be questioned but there was evidence she encouraged delegation to and discussion among her staff. She organised the business on the basis of project teams and quality circles which meant staff were involved in problem solving. Whatever advice she received from her staff, she still had the right to choose whether or not to act upon it. The democratic element was manifest in that staff were involved and could submit suggestions and ideas and, doubtless, Ms Wong explained the reasons for her final decisions. Most responses were very basic in that they recognised the general involvement of staff in decision-making but did not pursue the point.

(b) (i) A discussion on Maslow's hierarchy of needs was not required but many candidates replicated the pyramid and explained it. The task called for the recognition that self-actualisation was a high order need about self-fulfilment. It reflected the fulfilment of an individual's potential through achievement being enriched by learning and experience. Ms Wong wanted to employ people who were capable of achieving self-actualisation and as a result most of the staff were highly skilled and always seeking to improve. Mostly the responses were not very strong.

(ii) This task gave candidates the opportunity to expound on both theories X and Y. A paragraph on theory X was not required although some passing reference may have been legitimate in order to emphasise a Y point. Candidates needed to emphasise that Lucky Jet wanted theory Y staff because they were self-motivated, stimulated by their work, liked responsibility, and were creative. The airline wanted to get established and expand – to do that they needed theory Y people. In general the marks awarded were not high.

(c) (i) It was clear that a number of candidates knew about quality circles but did not fully address the task. The description should have said that a quality circle comprised a group of staff which met to consider and recommend solutions to problems with some aspect of the airline's operation. It was important to stress that the group comprised staff drawn from all areas e.g. terminal, air crew, in-flight attendants and sales. A lot of answers did not consider the latter point at all. The benefit was that employees appreciated being able to participate in problem solving and using their knowledge and expertise. The sharing of ideas made them feel valued and helped motivation. Better staff motivation and performance meant better company performance.

(ii) There was some confusion with this task as many responses indicated that teams got together to complete a job faster. The essential point to make was that the teams were groups of multi-skilled and trained staff; that they were given an entire project or process and so had ownership of what they did. A clear example of team working would have been the in-flight staff; another being the maintenance crew. The benefit to the employee was that s/he was involved and so better motivated; that it meant being given responsibility and opportunity; and that being a team member created interest in the work.

Question 3

(a) Lucky Jet offered an attractive package of incentives and candidates were asked to describe two incentives which it might have given its employees. This was a simple exercise just asking for two examples but so many candidates, probably influenced by previous papers, attempted to analyse the task under financial and non-financial headings and then offered non-specific incentives like 'a bonus'. No specific references were made in the text to incentives so some conjecture was quite acceptable so long as the incentives were appropriate to the airline industry. Likely Lucky Jet related incentives included: performance bonuses (e.g. flights departing and arriving on time); grooming, facials, and make-overs for in-flight crew; medical insurance; free or heavily discounted fares; bonus pay for languages (Mandarin); free meals during working hours.

(b) (i) The pilots were employed on one-year fixed-term contracts. An explanation was required of the meaning of a one-year fixed-term contract. It did not demand much by way of an answer but mostly candidates understood it and pointed out that it was an employment contract which ran for a specific fixed term (in this case one year) and expired at the end of that term. To enhance the definition, candidates could have added that a pilot was treated as permanent in respect of benefits and pay.

(ii) This was better answered and most suggested that a pilot's satisfactory performance may have meant renewal i.e. a follow-on one year contract. On the other hand if the pilot did not give satisfactory service then Lucky Jet did not have to renew the contract. The point that was really required in an advanced level answer was that if expansion was not possible or if business slumped then the contract gave Lucky Jet some flexibility in staff management.

(c) Candidates were asked to describe three expectations that Lucky Jet might reasonably have had of its employees. This task is a regular feature of the examination and ought to have earned high marks for candidates but all too often the responses were generic. Candidates need to relate to the company in the case study in order to earn full marks.

(i) The first expectation was 'commitment to the business and its objectives'. The text reinforced the view that Ms Wong wanted a close-knit workforce. The staff received good employment packages and were expected, in return, to work hard to ensure the success of Lucky Jet. The objectives of the airline ought to have been similar to their own individual objectives – company and personal success were strongly linked.

(ii) The second issue for discussion was 'to have and develop appropriate skills'. Any reference to skills should have reflected what the airline needed in its staff: it was not sufficient to say that they needed to be skilful as no employee would have been appointed without appropriate skills, depending on the department. However, continuing professional development would have been expected to meet any changing circumstances. Apart from the obvious specialist skills to be found in an airline, many staff would have needed negotiating, people and presentation, and even foreign language skills.

(iii) The final expectation was 'the acceptance of the Company's code of conduct'. So many responses suggested that staff should support the code without actually specifying what it was. The code reflected the way Lucky Jet expected staff to carry out their duties. Staff behaviour affected the company image and reputation. The code provided guidance in, for example, personal hygiene, dress, manners, and passenger care. An essential point to note was that staff were ambassadors of an airline which was susceptible to criticism if standards fell.

Question 4

(a) Every business is influenced in some way by external or PEST factors. Candidates were asked to explain how Lucky Jet might be influenced by the following factors. This is also a standard task and, given the information in the case study, candidates did not acquit themselves well in answering it. The main problem, again, was the lack of context coupled with some direct copying from the case study.

(i) Candidates needed to accept that Lucky Jet was in a very competitive market with pressures on costs, prices and target markets. It was likely that the competition, from airlines flying a similar route, would encourage Lucky Jet to introduce new features to its service in order to maintain an edge over its rivals. It could be that sooner or later other small carriers think there is a niche to fill and attempt to enter the market or the main airlines would offer passengers special deals. The influence of competition on Lucky Jet is that it could be forced out of the market or suffer a serious reduction in profitability. There was awareness among the candidates that Lucky Jet had to monitor its rivals carefully to ensure that its services and standards were always better.

(ii) Most candidates seemed to be aware of pressure groups but their general weakness was that they did not discuss the influence of the groups on Lucky Jet. Candidates acknowledged the growing concern worldwide about climate change and that the increase in air traffic was considered a major contributor to carbon emissions and pollution but they did not explain that the airline could receive nuisance calls, picketing at its terminals, suffer even minor sabotage, and receive adverse publicity. Responses followed the familiar line and called for more use of video conferencing and emails when conducting business instead of flying to meetings. It was pointed out by many that Lucky Jet had a green policy and was carbon neutral but generally the point lacked application.

(iii) Curiously this was not readily understood by all candidates as many interpreted it to mean the 'product cycle'. There were those who knew it to be the cycle of economic growth, the fluctuations in economic activity, and explained how the cycle moved from boom to slump to boom but the explanation needed to be set in the context of Lucky Jet. The business cycle will impact on Lucky Jet – in a time of recession then the small airlines might find it harder to survive because they lack the resources of the main carriers. A boom or a stable period will present the airline with opportunity, if not for growth, certainly for maintaining its position.

(b) **(i)** It was acknowledged that the Chinese economy was developing fast and that Shanghai with its history of business was in the centre of opportunity. There was already a lot of western investment in China and Shanghai offered ready access to a wide range of business and resources (labour, land, transport, government advice). It seemed to Lucky Jet to be a focal area and attractive to business people and investors.

(ii) This task was clearly linked to **(i)** above; some overlap of discussion was bound to occur and, indeed, expected. The region was considered to be one of lively industrial and commercial activity which might offer plenty of business opportunity. As more business was set up so more would be encouraged. Lucky Jet saw a gap in the market and the need to shuttle business people to and from China. The point to be made either in **(i)** or **(ii)** was that Birmingham, being at the industrial centre of the UK, clearly had something in common with Shanghai which was, therefore, a natural destination for Lucky Jet.

Question 5

(a) (i) The airline valued its passengers. Candidates were asked to explain what the company meant when it claimed its passengers were its main resource. Put quite simply, without passengers there was no airline and this point was well understood by most. The passengers had to be treated with due respect and importance since they meant employment, business, earnings, profit, and success. Very few recognised the passengers were stakeholders and that the long term interest of Lucky Jet depended on paying attention to their requirements.

(ii) Clearly there was some overlap with **(i)** in that passengers were the company's main resource. The majority of responses talked about the ingredients of the policy but did not address its importance. Customer service essentially dealt with a passenger's experience of flying with Lucky Jet and included in-flight crew and ground staff behaviour, employee training, guarantees, handling of complaints, refunds, ticketing procedure. The importance of the policy was that it reflected how well passengers' needs were met by Lucky Jet. The policy should have as its aim the development of customer loyalty and further business.

(iii) This task was not well done and many responses confused the two issues. The airline took into account the profile of its passengers (i.e. target market) on the basis of their age, employment, socio-economic class, assumed demand for service. By contrast, the psychological factors dealt with the image the passengers had of themselves and the levels of service they required. It was all to do with customer care.

(b) (i) The definition of penetration pricing was largely known to all but few applied it to Lucky Jet. It meant setting the fares low enough to gain a sufficient market share. The application to Lucky Jet was that it offered a means of gaining entry to a small part of a mass market.

(ii) This task called for a description of one benefit to the airline of penetration pricing. Many responses suggested it would ensure profits but did not qualify the assertion. The main benefit was that Lucky Jet's pricing policy could discourage other airlines from entering the Birmingham to Shanghai market. Others understood that once the airline was established it would then raise its prices and enjoy better revenues.

(c) Candidates were not expected to give a detailed breakdown of the 4Ps although some reference was clearly required. The clues were in the text. The company was a success so that justified the general claim regarding the marketing mix. A general but apposite response proving Ms Wong's point was all that was required. The main problem with this task was that candidates tended to give generic answers rather than relate them to Lucky Jet. Also, little use was made of the information contained in the case study.

Where the 4Ps were considered in detail, candidates should have identified the following points. Lucky Jet had penetration pricing which offered good value for money as its service was more than proportionate to the price; the price was attractive to the target market. The product was an affordable business class flight UK to Shanghai; it offered high quality service which was tailored to its target market. In order to promote its business, the company used appropriate media, Internet, travel agents, brochures, and candidates could have assumed general publicity like posters. Place was provided by the air route Birmingham to Shanghai; there was a definite need for it.

BUSINESS ADVANCED LEVEL

Paper 8929/5172

Effective Business Communication

General comments

This is an advanced level paper and as such answers are expected to contain the higher order skills of analysis and evaluation.

Many candidates gave knowledge based answers for which only the minimum number of marks were available. This was particularly the case in **Tasks 1(a)**, **2(b)**, **3(a)** and **(b)**.

The demonstration of basic knowledge in a response might gain enough marks for the candidate overall to pass the examination but only those candidates who are able to demonstrate the application of knowledge by analysing and evaluating the situation in the case study are awarded the higher level marks.

Comments on specific tasks

Task 1

(a) (i) Candidates did not appear to understand the task or its requirements. Many confused a press release with an advertisement in a newspaper and the fact that it was a one-way form of communication.

(ii) Letters – a better understanding shown here but again not identified as a one-way method but more personal than a press release.

(b) A number of candidates included letters and press releases as part of their answer when the task clearly asked for four other methods. The relevant methods are given in the mark scheme but other methods such as exhibitions, video-conferences, workshops and briefings were acceptable provided there was no duplication or repetition.

(c) Generally kinetics were understood but meta communications were not really understood other than 'being derived from the Greek meaning beyond'. If candidates find it difficult to explain concepts in English then they should think about providing examples of situations which clearly demonstrate the concept under discussion. This shows that the candidate understands the concept.

Task 2

(a) This is a task common to all past papers and as such candidates are expected to gain maximum marks for the layout.

After the last examination, detailed guidelines were given in the Report on the Examinations as to what is required in the layout of a letter, but still the same errors and/or omissions were shown.

The layout of a letter should contain the following:

- A letterhead which must contain the name and address of the company in the case study
- There must be an inside address i.e. the name and address of the individual and the company the letter is going to
- The date
- References
- The letter heading i.e. the subject of the letter

- The Salutation ‘Dear Mr’, ‘Dear Mrs’ or ‘Dear Ms’ with the surname but not ‘Dear sir or madam’. The surname should be made up by the candidate. The complementary close must match the salutation for the mark i.e. ‘Yours sincerely’ (Sincerely yours or Yours truly are acceptable).
- A signature
- Enc. If enclosures (other documents) are enclosed with the letter

These give a possible 8 marks of which any six are awarded.

Candidates were very vague as to the purpose and importance of the conference. The dates were given in the task but ignored by many. Often no times or venue was given, which means that anyone receiving the letter would have insufficient information to act on.

(b) The majority of candidates misread or misunderstood the task. It clearly asked for the benefits of using a database to support email communication, not the benefits of using email.

Task 3

(a) A task that has often been asked in past years. Candidates were asked to identify five ways of ensuring the meetings would be successful. Candidates tended to list more than five points and failed to develop or explain them thus only gaining a maximum of 5 marks.

(b) Many candidates failed to understand what was required. The key to the task was ‘the potential barriers to communication that could arise’. Candidates failed to identify such barriers possibly through lack of understanding of the term.

Task 4

(a) Generally well answered, the majority of candidates having a clear understanding of both intranet and extranet together with their advantages.

(b) Again a task that appears regularly but on this occasion requiring a little more than just the usual list of eight or ten items. The task specifically asked for ‘five guidance points to be followed’ which meant that candidates had to be more selective and explain their choice. Many still gave six or more listed points which still only gave them a maximum of 5 marks.

Task 5

(a) The best type of graph was a line graph. No other type was acceptable. The majority of candidates chose correctly and correctly identified valid advantages and disadvantages thus gaining full marks.

(b) Most candidates had a clear understanding of what a Gantt chart is and how it could be used in the context of the task.

(c) Maybe candidates read too much into this task. All that was required of candidates was to give various elements in a report:

- Title
- Author of the report
- Date
- Terms of reference
- The body of the report
- Conclusion
- Recommendations
- Appendix and/or bibliography

The second part merely asked for a brief explanation of what the body of the report might contain.

BUSINESS ADVANCED LEVEL

Paper 8929/5173

Business Finance

General comments

It is very pleasing to report that the performance of the majority of candidates who sat the May 2009 examination showed a significant improvement compared to previous examinations. It was evident that the majority of Centres had prepared their candidates very well for the examination and this resulted in answers that were relevant and focused. There appeared to be relatively fewer gaps in the knowledge of the candidates and the vast majority of the candidates provided answers to all of the tasks. The candidates appeared to manage their time effectively and it was evident that they had paid attention to the mark allocations and this contributed to them achieving good results. However, once again, it is necessary to remind Centres that they should be encouraging candidates to provide formulae and workings when they are undertaking tasks that involve calculations. Failure to provide this evidence of how they intend to answer the tasks often leads to the candidates losing marks.

Comments on specific tasks

Task 1

Overall the responses to this task were good with the majority of candidates being capable of producing precise definitions of terms and relevant and well argued responses.

All parts of the task, **(a)** to **(e)** attracted equally good responses indicating that there were few gaps in their knowledge of the subject.

Task 2

The answers to this task were generally very good with a sizeable minority of the candidates achieving full marks.

The answers to part **(a)** were particularly good with most candidates capable of completing the calculation and it was pleasing to see that most candidates were prepared to provide evidence of how they were going to complete the calculation.

The answers to part **(b)** were either very good or very bad. Where the candidates lost marks, it was the result of not providing an explanation for their choices. They had simply provided a reason without the necessary explanation.

Task 3

The answers provided to all parts of this task were very encouraging with many candidates scoring high marks. This type of question has been included in previous examinations and the responses in this examination showed a marked improvement compared to previous years. The answers to part **(b)** of the task were particularly good with most candidates being capable of producing relevant and well argued answers.

Task 4

Overall the answers to this task were very encouraging with many candidates achieving full or near full marks.

The answers to part **(a)** were good with the vast majority of the candidates showing that they understood the method that was required to undertake the calculations. A small minority of the candidates did not provide evidence of the way they were going to complete the calculations and they therefore tended to lose marks when their calculations went wrong.

The answers to part **(b)** were generally very good with relevant, well argued responses being provided.

Task 5

The answers provided for this task were either very good or very poor. The better candidates were capable of providing complete answers to part **(a)** with all three types of accounting being well described, but the weaker candidates often omitted to provide an explanation of the work of the cost accountant.

The answers to part **(b)** were patchy with many candidates providing irrelevant answers. Often such answers were very wordy and this indicated that the candidates had spent too much time attempting to answer this task.

BUSINESS ADVANCED LEVEL

Paper 8929/5174

Marketing

General comments

It is pleasing to report that many Centres achieved good marks for this paper this session. Good candidates know the syllabus well, and are able to identify the relevant concepts required by each task. They also apply these concepts to the material in the case study.

However, there were unfortunately still a considerable number of weak scripts and responses. Some common reasons for candidate failure or low marks are as follows:

- Some candidates appear not to know the whole of the syllabus, and so answer incorrectly and inappropriately for the situation described.
- Some candidates know the basics of the syllabus, but do not or cannot apply the relevant concepts to the case study scenario. These candidates tend to waste time by writing all that they know about a particular topic without any attempt to make it relevant to the wording of the task.
- Some candidates do not attempt all the tasks on the paper.

Candidates often, under pressure of the examination situation, do not read/analyse the requirements of the task sufficiently. This was particularly apparent in **Questions 3** and **4**. Teachers/tutors can help candidates develop this skill by discussing past paper tasks during teaching and revision sessions.

Comments on specific tasks

Task 1

(a) The first part of this task required candidates to explain the differences between products and services. The five specific characteristics of intangibility, inseparability, perishability, non-ownership and variability that are listed in the syllabus were required. Candidates were rewarded for these characteristics even where the terminology was not known but explanations were clear. However, it was disappointing to note that many candidates were only aware of tangibility/intangibility and therefore lost considerable marks.

(b) The second part of this task was generally covered well by candidates. Most were aware of both the concept of relationship marketing and the benefits it can offer. It was pleasing to see that the importance of developing long term relationships in order to increase business through referrals to others was understood and explained well.

Task 2

(a) This part of the task asked for the five stages of the marketing research process to be identified and explained. Most candidates could do this part of the task quite well. Candidates who simply listed the stages in the process were only able to gain half of the available marks and so the importance of reading the question and responding to the command word ‘explain’ should be stressed to candidates.

(b) Again, in this part of the task, many candidates were able to identify a primary research method that was relevant to the new business. Fewer were able to explain why the method was relevant in a business to business market. Some candidates wrote about four research methods rather than only the one asked for in the task. This approach dilutes the answer and so the number of marks that can be awarded. It also highlights the importance of reading the task requirements very carefully.

Task 3

This task explored segmentation of business to business markets in detail.

(a) Most candidates defined segmentation well.

(b) This part of the task asked for four segmentation methods to be described that were suitable for use in business to business markets. Those who knew these were awarded high marks. Unfortunately many candidates described segmentation methods for consumer markets and the marks available were limited to those available for the one method that is shared – geographic segmentation. Candidates should know how demographic segmentation differs from consumer to business markets, and also be able to recognise that psychographic segmentation is appropriate only to consumer markets.

(c) This last part of the task was generally done well, with many candidates recommending geographic segmentation and others recognising that type of business (under business demographics) could be an effective way of segmenting the market.

Task 4

Some candidates gave good responses to the whole of this task. Unfortunately, although many were able to answer the first two sections well, in parts **(iii)** and **(iv)** they simply described what information the company might discover if they carried out research, rather than explaining **why** it was important to gather the information.

Task 5

(a) Responses to this part of the final task were generally very good. Most candidates were able to identify all 7 Ps correctly and apply them to the business-to-business market as required.

(b) In this final part of the last task candidates were asked to identify why the people element of the mix was so important to Han's Deliveries. Most candidates recognised that this is important because in a service industry the people represent the company and are part of the service. They were also able to recognise the examples in the case study in that the people are seen to be honest, reliable and polite and really care.

BUSINESS ADVANCED LEVEL

Paper 8929/5175

Human Resource Management

General comments

In this session there were a number of scripts, from a range of Centres, which were below the standard expected of candidates taking an advanced level examination.

It would seem that many candidates were ill prepared. In some cases candidates wrote 15 to 20 pages but the content was not relevant to the situation or the task. In these scripts there was considerable repetition of material or their answers were not fully related to the task. Examiners are instructed to read all that a candidate has written on their script and, therefore, it took a considerable amount of time to read through these scripts, even though the resulting scores were very low. Substantial parts of some candidates' answers consisted of complete sections from the case study, without any further development or thought.

Many candidates continue to rely on rote learning, expecting their pre-learned answers to hide a lack of understanding of both the subject in general and the question in particular. It is important that candidates analyse the task to provide thoughtful and evaluative answers if they wish to achieve the higher marks.

Comments on specific tasks

Task 1

(a) The task clearly asked candidates to explain the meaning of HRM. Candidates did this invariably in one sentence then went on, often at great length, to explain or list its functions which the task did not ask for.

(b) Most candidates managed a Level 1 answer but few were able to identify the benefits or weaknesses of either system. For example, the delegation of decision making and responsibilities downwards was missed. Many candidates merely referred to the different locations of CADC.

(c) Candidates had little or no understanding of the terms 'strategic' or 'operational'. These are set out in the syllabus (p 35 section 1.2). Many relied on quoting from the case study and drifted at length into other areas which were totally irrelevant. Only a few candidates were able to provide Level 2 answers.

Task 2

(a) Most candidates highlighted points or quoted directly from the contents of the case study but without explaining what a labour market is. The principles of a labour market were not applied. Answers were in general narrow and lacked detail. Very often the section from lines 13-19 was copied directly from the case study, but without explanation or discussion.

(b) Many candidates focused on the role of trade unions in general terms; this in itself was worth 2 marks as a maximum. Candidates failed to develop and identify the role within the context of the question. Candidates who did attempt to expand their answers often showed a lack of knowledge by claiming the unions were responsible for motivating and in some cases recruiting and training workers, which is incorrect.

There was very little understanding of the relationship between a multinational company like CADC and the different trade unions that might be involved in such a large project.

Task 3

(a) and **(b)** There was considerable confusion between recruitment and selection. This is covered in section 3.3, page 26 of the syllabus.

As a general rule the recruitment process begins with the identification of a vacancy and ends with the sending out of application forms and/or job descriptions. The selection process begins with the receipt of applications and ends with the appointment of the successful applicant. The selection process does not include induction or any other kind of training.

Too many candidates gave one word lists. At this level answers are expected to include more detail in order to demonstrate knowledge and understanding.

(c) Some candidates were able to identify the relevant quote from the case study but few were able to explain it in their own words.

Candidates from two Centres relied on using quotes from the case study that they had not used in other questions in the belief that if they did not relate to other questions then they must be appropriate to this one.

Candidates often failed to identify or develop the fact that over the course of the project, demand for the amount and type of labour would change. Succession planning was mentioned by some candidates but was not applied or explained.

Task 4

(a) Generally speaking, working groups were better understood than working patterns. Most candidates identified ‘shift’ and ‘flexitime’ from the case study, the better candidates showed a good understanding of these types.

(b) Answers in general were rather vague and too generic in nature. Many candidates were content to repeat the question in a variety of ways until they felt they had filled sufficient paper. Some candidates wrote at length on appraisal or similar topics. Many answers failed to achieve the higher level as they did not apply their knowledge to the specific situation.

Task 5

(a) and **(b)** Much use was made of the material from the case study. There were many correct examples of fringe benefits.

These two parts were the best answered with most candidates gaining full marks.

(c) Many candidates were clearly struggling for time at this stage, so quality of answers may partly be attributable to this, but very few candidates were able to produce valid arguments or explanations as to why or how market forces influence the rates at which workers are paid by the different companies involved in the project. Candidates merely repeated the section from line 13 to 19. Teachers/tutors must ensure that candidates not only know of the ideas and concepts in the syllabus, but that they are able to apply that knowledge to the situation given in the case study. Repeating the main points given in the case study is not the same as demonstrating knowledge or understanding.

BUSINESS ADVANCED LEVEL

Paper 8929/5179

Business Organisation and Environment

General comments

There are several areas of continuing concern arising from this examination.

It would be helpful if invigilators were asked to guide the candidates before they start the examination. The information on the front page needs to be read out aloud in a clear voice to the candidates so there is no question of misinterpretation of how they should proceed.

Where candidates use loose sheets rather than an examination booklet, invigilators should check that the sheets have been assembled in the correct order.

Candidates must read both the case study and the accompanying tasks carefully. They must ensure that they understand precisely what the Examiner wants them to do. All too often, candidates fail to do justice to themselves simply because they either misread or fail to comprehend a task. Prior to the start of the examination, it must be reiterated that 15 minutes' reading time is provided in order to help candidates become acquainted with the contents of the examination paper.

The purpose of having the case study is to expect candidates' responses to be made in the appropriate context. This means that responses should, where appropriate, be clearly related to the case study. Marks are often lost if the context is disregarded. It is not enough to display knowledge; it needs to be applied to the case study.

Poor examination technique remains an ongoing issue and still hinders the achievement of higher marks for many candidates. Teachers are strongly advised to address the subject when preparing their candidates for the examinations. Previous examination papers and the Principal Examiner reports are readily available and it is recommended that they are used as resource material during the revision period.

It is equally important that the entirety of the syllabus is taught; some tasks were poorly answered owing to a general lack of business knowledge.

Candidates must learn that a succinct and focused answer is preferable to one that is lengthy and offers little substance. They need to differentiate between the demands of different value tasks. There is little to be gained from writing a detailed answer to a 2 mark task and then giving scant attention to one offering 4 marks. Candidates are not expected to write lengthy essay-type answers but they must write sufficient detail to demonstrate to the Examiner that they understand the tasks.

It is readily acknowledged that the majority of candidates undertake the examination in a second language. Incorrect spelling and grammatical errors are not taken into consideration. The demonstration of business knowledge and, where required, the evidence of reasoning, is much more important than the quality of written language. However, it must be emphasised that very poorly expressed answers, especially those which expect the Examiner to guess a candidate's meaning and intention, may not be marked very favourably. Teachers need to emphasise these points when preparing candidates for the examination.

Candidates must not underestimate the importance of time management. Mostly candidates are able to attempt all the tasks within the allotted time but it is quite clear in every examination that some answers are hurried. It is appreciated that an examination will put candidates under pressure but teachers need to instruct them on how to pace themselves and not panic because of the time constraint.

Layout is still an issue although, overall, scripts seem to be better presented. It must be acknowledged that unclear or untidy scripts can present Examiners with unnecessary difficulties. No marks are deducted from scripts where candidates ignored advice about, for example, leaving margins clear, or starting each task on a separate sheet of paper, but teachers and candidates must acknowledge that these instructions have a purpose.

There are still candidates who insist on copying out the tasks. It is not necessary and wastes valuable examination time. Weaker candidates often respond to tasks by copying out segments of the case study which prohibits the award of full marks.

There are those candidates who answer tasks with bullet points. A series of bullet points may well contain the correct information or data but they do not conform to any instruction to describe or explain. Marks will be awarded for bullet points but not the full amount.

Comments on specific questions

The case study was about a young airline flying between the UK and China. The company, Lucky Jet, connected Birmingham, which is in the industrial heart of the UK, with Shanghai, which is an area of enormous business potential. Candidates were expected to respond to the tasks in context wherever appropriate.

Question 1

(a) This task called for the explanation and justification of two of Lucky Jet's business objectives.

(i) The first was economic survival. This meant exactly what it said – survival. All businesses worry about economic survival but Lucky Jet had entered a highly competitive and expensive market. Most candidates understood the point about survival but did not apply it to Lucky Jet. An acknowledgement was required that Lucky Jet had seen a gap in the market and its initial development may not have been cost-effective. Lucky Jet faced difficulties arising from increased costs like landing fees, licences, fuel, and maintenance.

(ii) The second was continuous product development. Apart from the few candidates who related the term 'product' to manufacture, most responses did not really relate to Lucky Jet. Generally the responses were weak and barely suggested that in order to keep its place in the market the company had to innovate and respond to clients' needs. Candidate's should have acknowledged that Lucky Jet's success resulted from developing a quality airline service; that it was necessary for the company to continue monitoring its service and improve it as appropriate; and that it had to be aware of competitors' reactions and the changes they made in their service.

(b) It was stated that finance would always be a concern for the airline and candidates were asked to discuss profits and leasing.

(i) This activity asked for a description of what was meant by ploughing-back profits. Mostly, candidates knew about ploughed-back profits (and that they were also known as retained profits) but were often confused as to their purpose. A firm statement was required pointing out that ploughed-back profits reinvested in the business to help fund, for example, renewal and expansion. The most important issue, overlooked by the majority, was that the ploughed-back profits provided a ready and cheaper source of long-term internal finance for Lucky Jet.

(ii) This task called for an explanation of how leasing could help the airline's finances. It was clear in the text that the company was using two aircraft and lines 3 and 4 said that 'Lucky Jet owns one of the planes outright and leases the other'. The majority of candidates took the view that Lucky Jet was leasing out aircraft and gaining income from that operation. As such, this was not a successful task. A good response would have recognised that leasing was a means by which Lucky Jet could acquire assets i.e. aircraft without raising the initial cash investment implied by purchasing. Leasing avoided an adverse effect on the cash flow and released capital for other, and perhaps more profitable, uses. The leasing of one aircraft enabled the airline to operate two aircraft on the UK-China route without being committed to a large investment. If passenger numbers fell Lucky Jet could return the leased aircraft.

(c) With reference to Lucky Jet, candidates were asked to explain the difference between fixed and variable costs and give an example of each. Most candidates were able to offer basic definitions of the costs but few applied them to the airline.

Generally speaking, in the short run, fixed costs do not alter in relation to changes in demand. They have to be paid whether Lucky Jet flies its aircraft or not. Examples include interest payments, depreciation and rent of the hangar.

By contrast, variable costs vary in direct proportion to changes in output. Examples would include additional staff (if passenger numbers increase), fuel charges and landing fees.

Question 2

(a) An explanation was required of what Ms Wong meant when she said her leadership style was democratic. Whether Ms Wong was democratic or not was to be questioned but there was evidence she encouraged delegation to and discussion among her staff. She organised the business on the basis of project teams and quality circles which meant staff were involved in problem solving. Whatever advice she received from her staff, she still had the right to choose whether or not to act upon it. The democratic element was manifest in that staff were involved and could submit suggestions and ideas and, doubtless, Ms Wong explained the reasons for her final decisions. Most responses were very basic in that they recognised the general involvement of staff in decision-making but did not pursue the point.

(b) (i) A discussion on Maslow's hierarchy of needs was not required but many candidates replicated the pyramid and explained it. The task called for the recognition that self-actualisation was a high order need about self-fulfilment. It reflected the fulfilment of an individual's potential through achievement being enriched by learning and experience. Ms Wong wanted to employ people who were capable of achieving self-actualisation and as a result most of the staff were highly skilled and always seeking to improve. Mostly the responses were not very strong.

(ii) This task gave candidates the opportunity to expound on both theories X and Y. A paragraph on theory X was not required although some passing reference may have been legitimate in order to emphasise a Y point. Candidates needed to emphasise that Lucky Jet wanted theory Y staff because they were self-motivated, stimulated by their work, liked responsibility, and were creative. The airline wanted to get established and expand – to do that they needed theory Y people. In general the marks awarded were not high.

(c) (i) It was clear that a number of candidates knew about quality circles but did not fully address the task. The description should have said that a quality circle comprised a group of staff which met to consider and recommend solutions to problems with some aspect of the airline's operation. It was important to stress that the group comprised staff drawn from all areas e.g. terminal, air crew, in-flight attendants and sales. A lot of answers did not consider the latter point at all. The benefit was that employees appreciated being able to participate in problem solving and using their knowledge and expertise. The sharing of ideas made them feel valued and helped motivation. Better staff motivation and performance meant better company performance.

(ii) There was some confusion with this task as many responses indicated that teams got together to complete a job faster. The essential point to make was that the teams were groups of multi-skilled and trained staff; that they were given an entire project or process and so had ownership of what they did. A clear example of team working would have been the in-flight staff; another being the maintenance crew. The benefit to the employee was that s/he was involved and so better motivated; that it meant being given responsibility and opportunity; and that being a team member created interest in the work.

Question 3

(a) Lucky Jet offered an attractive package of incentives and candidates were asked to describe two incentives which it might have given its employees. This was a simple exercise just asking for two examples but so many candidates, probably influenced by previous papers, attempted to analyse the task under financial and non-financial headings and then offered non-specific incentives like 'a bonus'. No specific references were made in the text to incentives so some conjecture was quite acceptable so long as the incentives were appropriate to the airline industry. Likely Lucky Jet related incentives included: performance bonuses (e.g. flights departing and arriving on time); grooming, facials, and make-overs for in-flight crew; medical insurance; free or heavily discounted fares; bonus pay for languages (Mandarin); free meals during working hours.

(b) (i) The pilots were employed on one-year fixed-term contracts. An explanation was required of the meaning of a one-year fixed-term contract. It did not demand much by way of an answer but mostly candidates understood it and pointed out that it was an employment contract which ran for a specific fixed term (in this case one year) and expired at the end of that term. To enhance the definition, candidates could have added that a pilot was treated as permanent in respect of benefits and pay.

(ii) This was better answered and most suggested that a pilot's satisfactory performance may have meant renewal i.e. a follow-on one year contract. On the other hand if the pilot did not give satisfactory service then Lucky Jet did not have to renew the contract. The point that was really required in an advanced level answer was that if expansion was not possible or if business slumped then the contract gave Lucky Jet some flexibility in staff management.

(c) Candidates were asked to describe three expectations that Lucky Jet might reasonably have had of its employees. This task is a regular feature of the examination and ought to have earned high marks for candidates but all too often the responses were generic. Candidates need to relate to the company in the case study in order to earn full marks.

(i) The first expectation was 'commitment to the business and its objectives'. The text reinforced the view that Ms Wong wanted a close-knit workforce. The staff received good employment packages and were expected, in return, to work hard to ensure the success of Lucky Jet. The objectives of the airline ought to have been similar to their own individual objectives – company and personal success were strongly linked.

(ii) The second issue for discussion was 'to have and develop appropriate skills'. Any reference to skills should have reflected what the airline needed in its staff: it was not sufficient to say that they needed to be skilful as no employee would have been appointed without appropriate skills, depending on the department. However, continuing professional development would have been expected to meet any changing circumstances. Apart from the obvious specialist skills to be found in an airline, many staff would have needed negotiating, people and presentation, and even foreign language skills.

(iii) The final expectation was 'the acceptance of the Company's code of conduct'. So many responses suggested that staff should support the code without actually specifying what it was. The code reflected the way Lucky Jet expected staff to carry out their duties. Staff behaviour affected the company image and reputation. The code provided guidance in, for example, personal hygiene, dress, manners, and passenger care. An essential point to note was that staff were ambassadors of an airline which was susceptible to criticism if standards fell.

Question 4

(a) Every business is influenced in some way by external or PEST factors. Candidates were asked to explain how Lucky Jet might be influenced by the following factors. This is also a standard task and, given the information in the case study, candidates did not acquit themselves well in answering it. The main problem, again, was the lack of context coupled with some direct copying from the case study.

(i) Candidates needed to accept that Lucky Jet was in a very competitive market with pressures on costs, prices and target markets. It was likely that the competition, from airlines flying a similar route, would encourage Lucky Jet to introduce new features to its service in order to maintain an edge over its rivals. It could be that sooner or later other small carriers think there is a niche to fill and attempt to enter the market or the main airlines would offer passengers special deals. The influence of competition on Lucky Jet is that it could be forced out of the market or suffer a serious reduction in profitability. There was awareness among the candidates that Lucky Jet had to monitor its rivals carefully to ensure that its services and standards were always better.

(ii) Most candidates seemed to be aware of pressure groups but their general weakness was that they did not discuss the influence of the groups on Lucky Jet. Candidates acknowledged the growing concern worldwide about climate change and that the increase in air traffic was considered a major contributor to carbon emissions and pollution but they did not explain that the airline could receive nuisance calls, picketing at its terminals, suffer even minor sabotage, and receive adverse publicity. Responses followed the familiar line and called for more use of video conferencing and emails when conducting business instead of flying to meetings. It was pointed out by many that Lucky Jet had a green policy and was carbon neutral but generally the point lacked application.

(iii) Curiously this was not readily understood by all candidates as many interpreted it to mean the 'product cycle'. There were those who knew it to be the cycle of economic growth, the fluctuations in economic activity, and explained how the cycle moved from boom to slump to boom but the explanation needed to be set in the context of Lucky Jet. The business cycle will impact on Lucky Jet – in a time of recession then the small airlines might find it harder to survive because they lack the resources of the main carriers. A boom or a stable period will present the airline with opportunity, if not for growth, certainly for maintaining its position.

(b) (i) It was acknowledged that the Chinese economy was developing fast and that Shanghai with its history of business was in the centre of opportunity. There was already a lot of western investment in China and Shanghai offered ready access to a wide range of business and resources (labour, land, transport, government advice). It seemed to Lucky Jet to be a focal area and attractive to business people and investors.

(ii) This task was clearly linked to **(i)** above; some overlap of discussion was bound to occur and, indeed, expected. The region was considered to be one of lively industrial and commercial activity which might offer plenty of business opportunity. As more business was set up so more would be encouraged. Lucky Jet saw a gap in the market and the need to shuttle business people to and from China. The point to be made either in **(i)** or **(ii)** was that Birmingham, being at the industrial centre of the UK, clearly had something in common with Shanghai which was, therefore, a natural destination for Lucky Jet.

Question 5

(a) (i) The airline valued its passengers. Candidates were asked to explain what the company meant when it claimed its passengers were its main resource. Put quite simply, without passengers there was no airline and this point was well understood by most. The passengers had to be treated with due respect and importance since they meant employment, business, earnings, profit, and success. Very few recognised the passengers were stakeholders and that the long term interest of Lucky Jet depended on paying attention to their requirements.

(ii) Clearly there was some overlap with **(i)** in that passengers were the company's main resource. The majority of responses talked about the ingredients of the policy but did not address its importance. Customer service essentially dealt with a passenger's experience of flying with Lucky Jet and included in-flight crew and ground staff behaviour, employee training, guarantees, handling of complaints, refunds, ticketing procedure. The importance of the policy was that it reflected how well passengers' needs were met by Lucky Jet. The policy should have as its aim the development of customer loyalty and further business.

(iii) This task was not well done and many responses confused the two issues. The airline took into account the profile of its passengers (i.e. target market) on the basis of their age, employment, socio-economic class, assumed demand for service. By contrast, the psychological factors dealt with the image the passengers had of themselves and the levels of service they required. It was all to do with customer care.

(b) (i) The definition of penetration pricing was largely known to all but few applied it to Lucky Jet. It meant setting the fares low enough to gain a sufficient market share. The application to Lucky Jet was that it offered a means of gaining entry to a small part of a mass market.

(ii) This task called for a description of one benefit to the airline of penetration pricing. Many responses suggested it would ensure profits but did not qualify the assertion. The main benefit was that Lucky Jet's pricing policy could discourage other airlines from entering the Birmingham to Shanghai market. Others understood that once the airline was established it would then raise its prices and enjoy better revenues.

(c) Candidates were not expected to give a detailed breakdown of the 4Ps although some reference was clearly required. The clues were in the text. The company was a success so that justified the general claim regarding the marketing mix. A general but apposite response proving Ms Wong's point was all that was required. The main problem with this task was that candidates tended to give generic answers rather than relate them to Lucky Jet. Also, little use was made of the information contained in the case study.

Where the 4Ps were considered in detail, candidates should have identified the following points. Lucky Jet had penetration pricing which offered good value for money as its service was more than proportionate to the price; the price was attractive to the target market. The product was an affordable business class flight UK to Shanghai; it offered high quality service which was tailored to its target market. In order to promote its business, the company used appropriate media, Internet, travel agents, brochures, and candidates could have assumed general publicity like posters. Place was provided by the air route Birmingham to Shanghai; there was a definite need for it.

