
BUSINESS

9609/33

Paper 3 Case Study

May/June 2018

MARK SCHEME

Maximum Mark: 100

Published

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Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer			Marks																
1	<p data-bbox="300 248 1155 315">Analyse the likely benefits to RW of introducing Total Quality Management (TQM).</p> <table border="1" data-bbox="308 349 1324 786"> <thead> <tr> <th data-bbox="308 349 422 432">Level</th> <th data-bbox="422 349 722 432">Knowledge 3 marks</th> <th data-bbox="722 349 1023 432">Application 2 marks</th> <th data-bbox="1023 349 1324 432">Analysis 5 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 432 422 584">2</td> <td data-bbox="422 432 722 584">3 marks Two or more relevant points made about benefits</td> <td data-bbox="722 432 1023 584">2 marks Points made are applied to RW</td> <td data-bbox="1023 432 1324 584">4–5 marks Good use of theory to explain benefits</td> </tr> <tr> <td data-bbox="308 584 422 736">1</td> <td data-bbox="422 584 722 736">1–2 marks One or two relevant points made about benefits</td> <td data-bbox="722 584 1023 736">1 mark Some application to RW</td> <td data-bbox="1023 584 1324 736">1–3 marks Some use of theory to explain benefits</td> </tr> <tr> <td data-bbox="308 736 422 786">0</td> <td colspan="3" data-bbox="422 736 1324 786">No creditable content</td> </tr> </tbody> </table> <p data-bbox="300 819 547 853"><i>Note to examiners:</i></p> <ul data-bbox="355 857 1238 1025" style="list-style-type: none"> • Disadvantages should not be rewarded • Benefits should relate to RW, not e.g. to employees or other stakeholders • If no specific knowledge of TQM demonstrated, only benefits of improving quality then L1 all skills – max 6 <p data-bbox="300 1061 603 1095"><i>Answers could include:</i></p> <p data-bbox="300 1128 456 1162">Knowledge</p> <ul data-bbox="355 1167 1315 1335" style="list-style-type: none"> • TQM is a holistic approach to quality that involves all employees in ensuring best possible processes and outcomes Inc. quality chains, quality circles, internal customers, kaizen. • Checking for quality at every stage can be accepted as knowledge of TQM, but not checking quality at the end of the process. <p data-bbox="300 1368 459 1402">Application</p> <ul data-bbox="355 1406 871 1507" style="list-style-type: none"> • Many faults in servicing and repair • Workshop manager responsible • Lack of involvement by employees. <p data-bbox="300 1541 419 1574">Analysis</p> <ul data-bbox="355 1579 1299 1821" style="list-style-type: none"> • Problems identified early saving costs of correction • Little need for final inspection, saving costs • Easier to trace reasons for faults, leading to lower costs • Responsibility for quality identified, accountability improved • More opportunities for employee responsibility so greater motivation • Less wastage of materials and time so saving costs • Better customer relations so more repeat business 			Level	Knowledge 3 marks	Application 2 marks	Analysis 5 marks	2	3 marks Two or more relevant points made about benefits	2 marks Points made are applied to RW	4–5 marks Good use of theory to explain benefits	1	1–2 marks One or two relevant points made about benefits	1 mark Some application to RW	1–3 marks Some use of theory to explain benefits	0	No creditable content			10
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Question	Answer	Marks
2(a)(i)	<p>Refer to Table 1. Calculate:</p> <p>profit margin of bicycle sales for 2017–18</p> <ul style="list-style-type: none"> • Profit margin = profit/revenue × 100% (1 mark) (or implied by use of correct formula) • Revenue = 300 × \$350 = \$105(000) (1 mark) • or Costs = 60 + 30 = \$90(000) (1 mark) • Profit = 105 – 90 = \$15(000) (1 mark) • Profit margin = 15/105 = 14.3% (allow 14%)(% not essential) • 1 error, e.g. incorrectly calculated figure (3 marks) OFR applies • If calculate GPM allow full marks. i.e. 45/105 × 100 = 42.85% (4) 	4
2(a)(ii)	<p>contribution per unit for the new university order.</p> <ul style="list-style-type: none"> • Contribution p/u = selling price – direct cost (per unit) (1 mark) or selling price – AVC • 260 – 200 = \$60 	2

Question	Answer				Marks																				
2(b)	<p>Refer to your answer your results to 2(a) and any other information. Discuss whether RW should accept the new university order.</p> <table border="1" data-bbox="304 349 1327 853"> <thead> <tr> <th data-bbox="304 349 408 427">Level</th> <th data-bbox="408 349 638 427">Knowledge 2 marks</th> <th data-bbox="638 349 868 427">Application 2 marks</th> <th data-bbox="868 349 1098 427">Analysis 4 marks</th> <th data-bbox="1098 349 1327 427">Evaluation 4 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 427 408 613">2</td> <td data-bbox="408 427 638 613">2 marks Two or more relevant points made</td> <td data-bbox="638 427 868 613">2 marks Application of two or more points to RW</td> <td data-bbox="868 427 1098 613">3–4 marks Good use of theory to answer question</td> <td data-bbox="1098 427 1327 613">3–4 marks Good judgement shown</td> </tr> <tr> <td data-bbox="304 613 408 799">1</td> <td data-bbox="408 613 638 799">1 mark One relevant point made</td> <td data-bbox="638 613 868 799">1 mark Some application to RW</td> <td data-bbox="868 613 1098 799">1–2 marks Some use of theory to answer question</td> <td data-bbox="1098 613 1327 799">1–2 marks Some judgment shown</td> </tr> <tr> <td data-bbox="304 799 408 853">0</td> <td colspan="4" data-bbox="408 799 1327 853">No creditable content</td> </tr> </tbody> </table> <p data-bbox="300 891 547 920"><i>Note to examiners:</i></p> <ul data-bbox="357 925 1315 987" style="list-style-type: none"> • Own figure rule from 2(a) applies • L1 AN and EVAL if only use 2(a) results or only use other information <p data-bbox="300 1025 600 1055"><i>Answers could include:</i></p> <p data-bbox="300 1093 456 1122">Knowledge</p> <ul data-bbox="357 1126 1187 1189" style="list-style-type: none"> • Significance of the calculation of loss using full cost method • Significance of positive contribution to indirect costs <p data-bbox="300 1227 459 1256">Application</p> <ul data-bbox="357 1261 1241 1641" style="list-style-type: none"> • RW are in a position to source cycles but possible difficulty in assembly • Limited storage space • Competitive market context • Possible loss of goodwill from university • Offer price of \$260 for 80 cycles – use of calculation of loss and contribution 25.7% reduction in price Contribution on the order is \$90 lower per unit, so \$7200 in total Additional profit is $80 \times 60 = \\$4800$ Current profit from bicycles is \$15 000 <p data-bbox="300 1680 746 1709">Analysis – other factors including:</p> <ul data-bbox="357 1713 1334 2056" style="list-style-type: none"> • Development of calculations, in terms of impact on RW • Possible need for more employees and space might increase costs • Opportunity costs – storage space limited and use of employees might mean other business not carried out • Sale of 80 bicycles may clear storage space for new stock • Failure to accept might lead to offer to competitors and loss of advantage • Status of goodwill from university – would rejecting order prejudice this or encourage university to offer more below cost contracts • Possibility of negotiating on the offer price of \$260? 				Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks	2	2 marks Two or more relevant points made	2 marks Application of two or more points to RW	3–4 marks Good use of theory to answer question	3–4 marks Good judgement shown	1	1 mark One relevant point made	1 mark Some application to RW	1–2 marks Some use of theory to answer question	1–2 marks Some judgment shown	0	No creditable content				12
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Question	Answer	Marks
2(b)	Evaluation <ul style="list-style-type: none"> A supported recommendation should follow consideration of pros and cons of accepting the order Is RW certain that the costings are accurate? Assumptions made in calculation of indirect costs may not be accurate 	

Question	Answer	Marks																				
3	<p>Discuss whether introducing Management by Objectives (MBO) is the most effective way for RW to solve its human resource problems.</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Knowledge 2 marks</th> <th>Application 2 marks</th> <th>Analysis 6 marks</th> <th>Evaluation 6 marks</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>2 marks Two or more relevant points</td> <td>2 marks Application of two or more points to RW</td> <td>4–6 marks Good use of theory to answer question</td> <td>4–6 marks Good judgment shown</td> </tr> <tr> <td>1</td> <td>1 mark One relevant point made</td> <td>1 mark Some application to RW</td> <td>1–3 marks Some use of theory to answer question</td> <td>1–3 marks Some judgment shown</td> </tr> <tr> <td>0</td> <td colspan="4">No creditable content</td> </tr> </tbody> </table> <p><i>Note to examiners:</i></p> <ul style="list-style-type: none"> Answer should focus on MBO and advantages/disadvantages, not general points re: motivation, leadership or other HRM issues If no specific knowledge shown of MBO, but other approaches discussed, then L1 all skills. Answer should focus on RW. If focus is on effect on employees this should be developed further into effect on RW. <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> MBO involves negotiating and setting objectives/targets for all employees and managers so all know what is expected of them objectives could be manager led or consensual objectives to be SMART objectives should be in line with strategic overall aims Alternative method(s) for addressing worries <p>Application</p> <ul style="list-style-type: none"> Reference to list of Asif's bullet points high dissatisfaction rate (50% thinking of leaving) Asif as store manager, Kadeem as less involved with store employees 	Level	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 6 marks	2	2 marks Two or more relevant points	2 marks Application of two or more points to RW	4–6 marks Good use of theory to answer question	4–6 marks Good judgment shown	1	1 mark One relevant point made	1 mark Some application to RW	1–3 marks Some use of theory to answer question	1–3 marks Some judgment shown	0	No creditable content				16
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Question	Answer	Marks
3	<p>Analysis</p> <ul style="list-style-type: none"> • employee involvement in setting objectives leads to increased ownership, motivation, commitment and performance <p>BUT</p> <ul style="list-style-type: none"> – can be time consuming and costly – might lead to employees disclosing confidential strategic information – agreed objectives might be too easy/difficult to achieve – may lead to inflexible response to changing environment <ul style="list-style-type: none"> • Other possible responses to issues may be put forward with reasons/implications including: <ul style="list-style-type: none"> – increased training provision – discussion with store manager to improve his management skills (application) – more involvement with employees by Kadeem (application) – introduction of a bonus scheme <p>Evaluation</p> <ul style="list-style-type: none"> • Supported recommendation on (non) introduction of MBO • Ranking MBO with alternatives as solution to problems • Weighing up of benefits of MBO with disadvantages. 	

Question	Answer	Marks
4(a)(i)	<p>Refer to Table 2. Calculate:</p> <p>accounting rate of return</p> <ul style="list-style-type: none"> • $ARR = \text{average earnings per year} \times 100 / \text{initial cost}$ (1 mark) • Average earnings per year = $30 - 13/4$ (1 mark) = 4.25k (1 mark) • $4.25 \times 100 / 13 = 32.7\%$ (4 marks) • Initial investment not deducted $7.5/13 \times 100 = 58\%$ (3 marks) • Not divided by number of years $17/13 \times 100 = 131\%$ (3 marks) OFR applies 	4

Question	Answer	Marks																								
4(a)(ii)	<p>Net present value (at 6% discount rate)</p> <ul style="list-style-type: none"> NPV is the difference between present value of cash inflows and outflows. (1 mark) <table border="1" data-bbox="300 416 1332 618"> <thead> <tr> <th></th> <th>Year 0</th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> <th>Year 4</th> </tr> </thead> <tbody> <tr> <td>NCF</td> <td>-13</td> <td>1</td> <td>6</td> <td>10</td> <td>13</td> </tr> <tr> <td>DF</td> <td>1</td> <td>.943</td> <td>.890</td> <td>.834</td> <td>.792</td> </tr> <tr> <td>DCF</td> <td>-13</td> <td>.943</td> <td>5.34</td> <td>8.34</td> <td>10.296</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Total net DCF = 24.92 – 13 = \$11.919 (000) or 11.92 Allow rounding if correct calculation shown, e.g. 12 (000) Use of discount factor (1 mark) Calculation of annual DCF (2 marks) \$24.92 i.e. does not deduct capital cost (2 marks) OFR applies 		Year 0	Year 1	Year 2	Year 3	Year 4	NCF	-13	1	6	10	13	DF	1	.943	.890	.834	.792	DCF	-13	.943	5.34	8.34	10.296	4
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Question	Answer				Marks																				
4(b)	<p>Refer to your results to 4(a) and any other information. Recommend whether or not RW should offer guided bicycle tours. Justify your decision.</p> <table border="1" data-bbox="301 383 1329 887"> <thead> <tr> <th data-bbox="301 383 408 465">Level</th> <th data-bbox="408 383 638 465">Knowledge 2 marks</th> <th data-bbox="638 383 868 465">Application 2 marks</th> <th data-bbox="868 383 1098 465">Analysis 3–4 marks</th> <th data-bbox="1098 383 1329 465">Evaluation 3–4 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="301 465 408 651">2</td> <td data-bbox="408 465 638 651">2 marks Two or more relevant points</td> <td data-bbox="638 465 868 651">2 marks Application of two or more points to RW</td> <td data-bbox="868 465 1098 651">3–4 marks Good use of theory to answer question</td> <td data-bbox="1098 465 1329 651">3–4 marks Good judgment shown</td> </tr> <tr> <td data-bbox="301 651 408 837">1</td> <td data-bbox="408 651 638 837">1 mark One relevant point made</td> <td data-bbox="638 651 868 837">1 mark Some application to RW</td> <td data-bbox="868 651 1098 837">1–2 marks Some use of theory to answer question</td> <td data-bbox="1098 651 1329 837">1–2 marks Some judgment shown</td> </tr> <tr> <td data-bbox="301 837 408 887">0</td> <td colspan="4" data-bbox="408 837 1329 887">No creditable content</td> </tr> </tbody> </table> <p data-bbox="301 920 547 949"><i>Note to examiners:</i></p> <ul data-bbox="355 956 1315 1025" style="list-style-type: none"> • Own figure rule from 4(a) applies • L1 AN and EVAL if only use 4(a) results or only use other information <p data-bbox="301 1059 603 1088"><i>Answers could include:</i></p> <p data-bbox="301 1126 456 1155">Knowledge</p> <ul data-bbox="355 1162 1265 1301" style="list-style-type: none"> • costs of setting up and operating – availability of finance and time • projected revenue • Discounted cash flow and investment appraisal techniques • market opportunity exists on basis of forecasts <p data-bbox="301 1337 461 1366">Application</p> <ul data-bbox="355 1373 1279 1581" style="list-style-type: none"> • use of data from table 2, choice of discount factor • Payback period 2 yrs 7.2 months • reference to requirements – recruit guides, admin assistant, cycles • reference to Tourist Authority and enhanced website • space for cycle storage issue • support for tourism from city authorities <p data-bbox="301 1617 421 1646">Analysis</p> <ul data-bbox="355 1653 975 1756" style="list-style-type: none"> • results from data • possible benefits from the new product • possible disadvantages of the new scheme <p data-bbox="301 1792 448 1821">Evaluation</p> <ul data-bbox="355 1827 1219 1966" style="list-style-type: none"> • supported recommendation on the proposal • comments re accuracy of data and implicit assumptions made • uncertainty re possible competitors actions • RW may be attempting too much given resources available 				Level	Knowledge 2 marks	Application 2 marks	Analysis 3–4 marks	Evaluation 3–4 marks	2	2 marks Two or more relevant points	2 marks Application of two or more points to RW	3–4 marks Good use of theory to answer question	3–4 marks Good judgment shown	1	1 mark One relevant point made	1 mark Some application to RW	1–2 marks Some use of theory to answer question	1–2 marks Some judgment shown	0	No creditable content				12
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Question	Answer				Marks
5	Discuss an appropriate marketing strategy RW could use if it decides to expand by offering guided bicycle tours.				
Level	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 6 marks	
2	2 marks Two or more relevant points	2 marks Application of two or more points to RW	4–6 marks Good use of theory to answer question	4–6 marks Good judgment shown	
1	1 mark One relevant point made	1 mark Some application to RW	1–3 marks Some use of theory to answer question	1–3 marks Some judgment shown	
0	No creditable content				
<p><i>Note to examiners:</i></p> <p>Limit to L1 AN and EVAL if only considers one element of marketing strategy e.g. just pricing or budget</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • marketing strategy is coordinated elements of the marketing mix incorporated into a marketing plan/strategy, including objectives and budget. • elements of a marketing plan/strategy <p>Application</p> <ul style="list-style-type: none"> • target market is tourists and business visitors • link to city Tourist Agency • product – high quality guided set or personalised group and individual cycle tours with expert guides focused on historical/social/architectural features. Reference to amount spent on bicycles. • place – operated from store or other premises to be decided • promotion – enhanced website with booking facility, tickets via Tourist Agency outlets, adverts/PR in newspapers, cards/flyers in hotels and travel agents, entries in tourist aimed publications/brochures, flyers and email to university contacts likely to have visitors. Also to businesses likely to offer their visitors some downtime. Methods to contain details of routes, prices, location • price – early entrant so slightly higher price than existing small competition. introductory discounts/offers e.g. free drinks/snacks, discounted repeat bookings • Reference to marketing budget in Table 2 <p>Analysis</p> <ul style="list-style-type: none"> • Linked elements of the marketing mix • Reasoned argument for methods in the mix elements • Possible results of the marketing mix methods 					

Question	Answer	Marks
5	Evaluation <ul style="list-style-type: none">• supported assessment of likelihood of success• objectives are needed for strategy• availability of finance/resources for the strategy/plan• must build in review of strategy• strategy relies on reliability of data/research	

Question	Answer			Marks
Questions 6 and 7 use this marking grid:				
Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgment shown throughout with well supported conclusion/recommendation, focused on RW
2	3 marks Good understanding shown	3 marks Good application to RW	3–4 marks Good use of reasoned argument or use of theory to explain points made to explain points made	4–6 marks Some judgment shown in the main body of the answer and an attempt to support conclusion/recommendation, focused on RW OR effective and well supported conclusion/recommendation, focused on RW
1	1–2 marks Some understanding shown	1–2 marks Some application to RW	1–3 marks Limited use of reasoned argument or use of theory to support points made	1–3 marks Limited attempt to show judgment either within the answer OR a weakly supported conclusion/recommendation with some focus on RW
0	No creditable content			

Question	Answer	Marks
6	<p>Evaluate the importance of using a strategic management approach to improve RW's competitive advantage.</p> <p><i>Note to examiners:</i></p> <ul style="list-style-type: none"> • If only consider one element of SM (i.e. only strategic analysis or strategic choice or strategic implementation) then L1 AN and EVAL max • Emphasis is on improving competitive advantage for AN and EVAL marks <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • strategic management is the process in which objectives, strategy, tactics and review are used in business planning and implementation • strategic management covers the whole of the business • elements are integrated and linked • objectives help determine strategies in each functional area • tactics and methods in each follow from the strategic overview • process is objectives, analysis (including appropriate tools), choice (including appropriate tools) and implementation (business plans, appropriate corporate culture, contingency planning). <p>Application</p> <ul style="list-style-type: none"> • role of different elements in product portfolio (cycle and accessory supply, repair) • appropriate objectives from case material • concerns over quality • opening another store • setting up guided cycle tours • larger lower cost competitors/increased competition • use of Tables 3 and 4. <p>Analysis</p> <ul style="list-style-type: none"> • takeover will assist in gaining competitive advantage and enable flexible responses to change • guided cycle tours spread risk • takeover will assist in gaining competitive advantage and enable flexible responses to change • demonstration that elements are integrated and linked • objectives help determine strategies in each functional area • tactics and methods in each follow from the strategic overview. <p>Evaluation</p> <ul style="list-style-type: none"> • supported conclusion on usefulness of strategic management • relative importance of constituent sections of strategic management • necessity of review/updating the management plan • importance of accurate reliable data/information 	20

Question	Answer	Marks
7	<p>Discuss the importance of effective strategic implementation for the future success of RW.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • strategic implementation involves making a strategic choice happen including a business plan, developing an appropriate corporate culture (may need a change) and preparing contingency plans • requires business plan setting out exact requirements for products/services offered, marketing plan (based on market analysis), organisational (HRM) plan setting out workforce planning and structure, financial plan outlining sources of finance and on-going cash flow • change management techniques. <p>Application</p> <ul style="list-style-type: none"> • Reference to appropriate objectives from case • possibility of less university business • proposed new ventures (guided cycle tours, takeover of DB) • possible need for culture change re quality/attitudes • use of Appendix 1 and 2. <p>Analysis</p> <ul style="list-style-type: none"> • SI contains processes for change management as existing culture will need to alter for new project • SI enables all managers to be focused on appropriate actions/tasks • Plan will assesses resources and enable finance to be obtained • examines commercial viability of project • enables review • strategic implementation carries a cost in time and resources • contingency plans for possible change in conditions. <p>Evaluation</p> <ul style="list-style-type: none"> • supported conclusion on meaning and importance of effective strategic implementation inc. possible result of not acting strategically • comments on relative importance of constituent parts of SI • relies on accuracy of data/research • relies on effectiveness of managers. 	20