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Examiners' Report  
Principal Examiner Feedback

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Pearson Edexcel GCE A Level  
In Business (9BS0)

Paper 2: Business activities, decisions and  
strategy

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**Introduction:**

This report should be used by centres to provide teachers and students with guidance for how to approach the various question types going forward.

The cohort was a small fraction of the normal entry. Consequently it is likely that only limited conclusions can be drawn from the performance of the students in this examination series.

Overall, the quality of responses was lower than usually found in a normal entry. Although there was a significant number of excellent responses, in many cases there were gaps in knowledge, with some questions not attempted or partially answered.

**Question 1(a):**

This question was generally well answered. Most students could identify and explain a financial reason why 'Tended Ltd' was established as a private limited company. However, a common weakness was that many students failed to gain application marks, as they did not make use of information from the extracts to illustrate their reason. Some students wasted time by also considering a disadvantage of 'Tended Ltd' choosing to be a private limited company.

1 (a) Explain **one** financial reason why Leo Scott Smith decided to establish Tended Ltd as a private limited company.

(4) Q01a

Equity is the money given to share-holders after their investment has risen. One financial reason Leo Scott might establish as a private limited company is that he ~~doesn't~~ wants to have more financial control on future investments. As the text tells us Leo Scott produces 'Smart wearable technology'. By registering as a private limited company he can gain loans from family and friends and won't have to pay as much interest, and he will have ~~the~~ more financial control for future investments.

This response was awarded 2 marks. No credit was awarded for the first half of the answer as it is not answering the question. However, a knowledge mark is awarded for the point that finance can be raised from family and friends and analysis for the explanation that Leo Scott Smith will have more financial control for future investment. However, the lack of relevant context meant that no marks for application were awarded.

- 1 (a) Explain **one** financial reason why Leo Scott Smith decided to establish Tended Ltd as a private limited company.

(4) Q01a  
private limited company is where the owners are only liable to their investment amount but shares can't be advertised. Leo may have done this to hold full control of decision making such as AI algorithms. Therefore decisions can be made quicker to gain market share of the \$34bn wearables market.

This response gained 4 marks. Knowledge is awarded for good understanding of a benefit of a private limited company in that shares can only be sold privately by Leo Scott Smith. This enables him to retain control and make decisions quickly (analysis) such as AI (application) in order to gain market share of the \$34 billion wearables market (application).

#### Question 1(b):

This question generated a wide range of responses. Many students failed to attempt it, whilst others stated the formula for calculating expected value, but were unable to use the figures correctly. A common mistake when calculating the expected value was the failure to recognise that failure of the marketing campaign would lead to a loss of £50,000. However, it is pleasing to report that a considerable number of students showed good understanding and were able to calculate the net gain correctly.

The net gain for the new smartwatch is £1.3 million.

- (b) Using the data in the decision tree, calculate the net gain for the marketing campaign. State your answer to two decimal places. You are advised to show your working.

(4) Q01b

$$3m \times 0.6 = 1.8m \quad (+) = 1,820,000$$

$$50,000 \times 0.4 = 20,000$$

$$1,820,000 - 360,000 = 1,460,000$$

Net gain for marketing campaign = £1.46 million

This response was awarded 1 mark. The calculation of expected value is incorrect, because the student has not recognised that the 50,000 should be a negative figure. 1 mark is awarded for understanding how to calculate net gain.

The net gain for the new smartwatch is £1.3 million.

- (b) Using the data in the decision tree, calculate the net gain for the marketing campaign. State your answer to two decimal places. You are advised to show your working.

(4)

Marketing Campaign:

$$\text{Success: } 0.6 \times \text{£3 million} = \text{£1.8 million}$$

$$\text{Failure: } 0.4 \times -50,000 = \text{£-20,000}$$

$$\text{£1.8 million} - \text{£20,000} = \text{£1.78 million}$$

$$\text{£1.78 million} - \text{£360,000} = \text{£1.42 million}$$

$$= \text{£1.42 million}$$

This response gained full marks. The student shows good technique by showing the stages required to calculate the final correct figure.

**Question 1(c):**

This question was generally well answered. The majority of students revealed good understanding of a business plan. It is pleasing to see that most students knew how to structure their answers, by writing separate paragraphs that explained both the value and limitations of a business plan, followed by a conclusion. Better responses were able to write developed arguments with consistent use of the context, leading to a supported judgement. Weaker responses tended to lack balance and/or failed to refer to the actual business. Another common mistake was the failure to provide an overall judgement.

(c) Assess the likely value of a business plan to Tended Ltd.

(10) Q01c

A business plan along with previous years sales forecast would be highly useful in delegating the workforce to the 10 employees.

Tended is a small firm consisting of only 10 employees communication. By splitting up the tasks required and targets each quarter creates incentive and responsibility to the employees. With this added responsibility the hierarchical structure is more horizontal and so ~~the~~ workers feel included and ~~motivated~~ <sup>motivated</sup> to do their tasks.

A business plan also includes business objectives, a mission statement. This makes employees have something they can work towards, a target for the whole firm.

However Tended LTD is a small firm consisting of only 10 employees



Communication is very fast and doesn't need 'processing' by senior management. A business plan may ~~to~~ just add extra steps or confuses workers.

~~I would choose to~~ However in my opinion a ~~mis-~~ business plan further develops the firm's standpoint & mission statement creating massive motivational factors & ~~increases~~ increasing productivity.

This response was awarded 4 marks. The first 2 paragraphs contain nothing of merit, however the next paragraph reveals elements of knowledge of a business plan. The student then attempts a chain of reasoning by presenting the argument that the objectives in the business plan provides a target for employees. There is an attempted counter argument with some use of context, as the student asserts that because Tended Ltd is a small firm, a business plan is not required to communicate objectives to the workforce. The conclusion is superficial and does not answer the question.

(c) Assess the likely value of a business plan to Tended Ltd.

(10) Q01c

A business plan consists of an overview of the purpose, aims, objectives of a business, of which it is very important. However, it can also not be important, which I will discuss below.

A business plan is highly valuable to a business such as ~~Tendero~~ Tended Ltd. This is because it can be used to gain finance from banks to fund its growth, in order to meet its aim of increasing market share. For example, Tended Ltd gained "£50,000 from Enterprise loans" of whom would decide if the start up company would be able to pay back the money using the cash flow forecast of the business plan. Therefore in order to meet the aims of the global market share, this the business plan is important to secure the finance. However, the business could secure finance through selling shares to friends and family.

On the other hand, if a business plan is not important, this is because it provides an opportunity cost of either taking time to plan the business plan or to start the business, and in turn, receive revenue. As the technology market is

is a fast growing market with major competitors such as Apple, it may be more beneficial to start up the business and gain ~~first~~ <sup>an</sup> ~~movers~~ advantage before the competition beats you as it ~~can~~ may take months to produce a business plan. However, this may result in the business making the wrong decisions as it has not been planned, for example "development issues, which took months to fix". This would ~~not~~ prevent the product coming to the market, a significant impact.

Based on the evidence, a business plan is very valuable to a business, in particular a start up such as Tended Ltd. This is because it can plan ahead its decisions and can also help gain finance to help the firm invest and grow. However, it can bring an opportunity cost in the short term as it takes a long time to produce. Although in the long term, it will be more beneficial to a business as it will cause better tactical and strategic decisions, causing higher profits and therefore growth.

This is a very good response that was awarded 8 marks. It reveals good understanding of the value of a business plan, by a well-developed argument regarding its importance for raising finance. This is illustrated with a relevant example from the extract.

The counter argument that there is an opportunity cost in developing a business plan is also well developed and illustrated with consistent use of the context.

The conclusion is supported by the previous arguments but is mainly a summary and does not add anything of additional merit to the answer. However, there is evidence of evaluation throughout this response.

**Question 1(d):**

This question generated a variety of responses. It examined student's knowledge of how to manage the problems of growth, which appears to be a topic that was not well understood by many students. Some responses misinterpreted the question by suggesting solutions how to manage the problems of growth, rather than focusing upon the actual business in the extract. However, there were some excellent responses by students who were able to focus upon the specific problems faced by Tended Ltd and write a balanced answer on how well they were managed.

(d) Assess the extent to which the problems of rapid growth may have been managed by Tended Ltd.

(12) Q01d

Tended LTD's corporate objective for rapid growth in the wearable ~~to~~ electronic device market

was accentuated when they started encountering financial difficulties as a result of ~~a~~ rapid growth. This was overtrading and is when a firm's outgoing cashflows are much greater than its inflows. This ~~to~~ happens to profitable companies and can lead to failure.

Tended LTD encountered overtrading when it ran out of cash on multiple occasions.

However Tended LTD <sup>incurred</sup> \$

Took risks'. This allowed them to stay flexible and overcome these cashflow crisis. However it was a risk and this drive to continue rapid growth could of led to business failure.

This response was considered to be Level 2, 4 marks. It correctly identifies the problem of overtrading and there is some use of context to illustrate this point. However, the chain of reasoning is mainly based upon assertion and the assessment is superficial. Unfortunately, it lacks balance, because the student has failed to identify another problem that was better managed. No overall judgement was provided.

(d) Assess the extent to which the problems of rapid growth may have been managed by Tended Ltd.

(12) Q01d

Rapid growth can be a problem for a business as it can result in overtrading and consequently business failure due to cash flow problems.

Rapid growth has been managed efficiently by Tended Ltd. This is because a problem such as "running out of cash" arose from the rapid growth, because there was insufficient capital to keep the business carrying on due to constant reinvestment. This was managed quickly as they received an immediate loan from a bank worth of "50,000", of which will boost cash flow short term to carry on production. However, in the long term this may have a negative impact as the loan will have to be paid back, with high interest which will be costly to the firm, perhaps delaying problems.

On the other hand, rapid growth has not been managed efficiently. This is because they had a problem of "development issues", perhaps not being able to produce ~~ext~~ technology fast enough for the market. This was not managed efficiently as it "took months to fix".

This will have a significant impact on the business as that could halt revenue for the business for months, providing an opportunity cost. ~~There will~~ consequently, there will be a decrease in profits and perhaps customers changing to rivals.

Based on the evidence, rapid growth has been managed by ~~the team~~ Teneded Ltd. This is because they received a loan to sort cash flow problems and worked as a team to fix development issues, which in ~~the~~ time they overcame through long hours and hard work. Although there were short term impacts of lost revenue due to this, in the long run they are prepared for any ~~external~~ ~~changing factors~~ rapid growth problems facing them.

This response was awarded Level 4, 10 marks. It identifies 2 relevant problems and provides a balanced response which assesses how well each of them were managed. The arguments are well developed and consistently supported by use of relevant context. The judgement is supported by the previous arguments and provides both a short- and long-term perspective, which is a useful approach to adopt for this type of question.

### Question 1(e):

This was an accessible question for most students. The vast majority of students were able to consider arguments for both options and make an overall recommendation. Consequently, the main differentiator between students was the ability to fully develop their arguments and consistently support them with selective use of the context. The strongest responses made full use of both quantitative and qualitative information and used 'MOPS' (Market, Objectives, Product and Situation) when making a justified recommendation. Weaker responses tended to make several points but failed to develop them. Often information from the extracts would be simply 'lifted' and not used to support an argument. Conclusions usually simply summarised prior arguments with no attempt to use MOPS.

To achieve its aim of increasing its market share of the global wearable technology market, Tended Ltd could produce a new smartwatch or launch a marketing campaign for 'Tended Protect'.

(e) Evaluate these two options and recommend which one is most suitable for Tended Ltd to achieve its aim of increasing its market share.

(20) Q01e

To achieve an aim of increasing market share of a global market a business must be revenue focused, so increasing gross sales dramatically and also increasing brand / product awareness so it can appeal to a wider customer base.

On the one hand, Tended can choose to produce a new smartwatch. This use of market penetration may both bring in new revenue to Tended and also increase revenue as it has and develops more of a larger product portfolio and range to appeal may more consumers. Partnering with its 'Tended protect' this may be the best option as two products in the market at one may be more effective for boosting revenue (revenue focus) and



also to gain attention and bits of market share in differentiated segments to boost global market share of wearable technology.

On the other hand, some would argue that this is far too revenue focused and would not help to achieve an initial increase in market

share as there are far too many competitors initially so short term global market share would not increase as my customers already have too much loyalty for a brand such as Apple to change or try a innovation that they haven't heard of before. Therefore it's would be the least suitable option and many Strategist and business leaders would argue to first spread the awareness and start to build a customer base and loyalty to initially gain market share, then to move on to expand your product range. This is seen in real life business with a company such as Dyson<sup>®</sup>, specialise the expand product range.

~~The~~ in contrast, to achieve global market share and market share in general for the long term I would argue that building a marketing campaign for 'Tendol protect' would be the most suitable option as I have stated above, increase the brand awareness as Tendol is a small start-up company that has not been operating long. To boost market share as one key feature is to have competitive advantages and a strong customer base. So first SEO needs to draw customers in and away from big brand name and then develop their loyalty for long-term growth.

In contrast this could also not be suitable as SEO needs to analyse possibility with a decision tree or a projected cash flow forecast. Another option would be the most financially suitable part because Tendol is still a fairly new company so to focus on global market share over the long-term by building a stable business base could lead to future long-term issues on in aspects decrease company growth and market share in 5 years due to lack of initial planning and focusing too much on market share, share, share.

In conclusion, I believe that a marketing  
 campaign is the most suitable option for both  
 short term and long-term, growth, revenue  
 increase and ultimately increasing market share as it  
 boosts awareness and possible sales for ~~the~~ <sup>target</sup>  
 product and also acts to build a platform  
 for the company to stand on to really begin to  
 stand out in the global consumer technology  
 market and then once that is achieved  
 Target can focus on expanding product  
 range and possibly digital products and markets  
 in the future to ultimately (Total for Question 1 = 50 marks) Q01\_Total  
 boost total market share **TOTAL FOR SECTION A = 50 MARKS**  
 in years to come.

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This response was awarded Level 3, 10 marks. It contains valid arguments for both options and there is evidence of qualitative information from the extracts. However, this response fails to include any quantitative information. The arguments are developed, but often this is mainly based upon assertion. This response contains evaluation throughout and also concludes with a recommendation. However, the conclusion fails to focus sufficiently on the objective of increasing market share and there is no attempt to use MOPS.

It can be argued that a marketing campaign will be more suitable for Tended who want to increase their market share, as this will increase their brand recognition.

This is important to a business such as Tended as with the 'forecast on the future of wearable technology, indicating that 411 million smart wearable

devices, worth.. \$34 billion'. It is likely that Tended should use a marketing campaign in order to make the most of this possible short-term opportunity of the market being worth such a significant amount, suggesting that effective demand for 'wearable devices' such as the 'Tended Protect' could be potentially high.

Thus by Tended increasing their brand recognition, through a marketing campaign, they will be able to increase market power over customers. Hopefully leading to customers

demand for wearable technology being bought from Tended, rather than competitors, which will increase market share over competitors in the long term.

Therefore hopefully leading to long term-profitability which is important in a competitive market such as the global technology market as shown by its value being '34 billion'. However, it could be argued that there is a 'falling consumer

interests for smartphones' possibly due to the premium price they are as a result of the market being so much value. This may mean that effective demand for complimentary

products such as the 'Tended Protect', will also fall in effective demand. This will reduce sales of the product, which may reduce the ability for Tended to achieve

a higher market share in the long term.

Therefore it can be argued that developing a new smart watch, will be more suitable to Tended's aim of achieving market share, as this may mean that Tended can take

advantage of the short-opportunity of increase of sales. This is because technological devices such as watches are over five times greater in sales compared to

other devices as predicted in the forecast. This means that there is significant demand for these products and that the smart watches sales may be '50%' of the total sales

made for technological products. Consequently, increasing sales significantly in the short term thus increasing profitability which may lead to a greater market share if profitability is

significant for Tended. However it could be argued that developing a new product, will require Tended to put the majority of their staff or their best staff on the job. This may lead

to other areas such as maintaining sales on current products such as the 'Tended Protect' being rejected, which could reduce the quality of other products, especially as Tended products are so high tech due to its 'artificial intelligence'. Furthermore, with the technology market being so dynamic as shown by fitness trackers decreasing by over half between 2019 and 2020, it is hard to evaluate how long term successful the new watch may be. Thus possibly decreasing market share in the long term if this is not achieved.

Overall, it can be argued that it would be better for Tended to use a marketing campaign to increase its market share. This is because it will help it achieve perceived product differentiation through a greater brand recognition, thus increasing market power over competitors and achieving a competitive advantage, which is exceptionally important in such a dynamic market. Although it could be argued that a developing a new watch may be better as the device sales for watches in 2020 are 50% of the total sales of devices. This may not be sustainable due to the dynamic market. Demonstrating why a marketing campaign

may be better to ensure Tended experience a long term increase in market share.

This response was awarded Level 4, 16 marks. It is well structured and reveals accurate and thorough knowledge throughout. Arguments for each option are well developed with consistent use of both quantitative and qualitative information to support them. The conclusion is supported by the previous arguments and provides a justified recommendation. The recognition of the dynamic nature of the technology market provides evidence of the use of MOPS.

### Question 2(a):

This question was generally well answered. Most students revealed good understanding of SWOT and could explain a benefit of using it. The skill of application was variable, with a significant number of students failing to relate their answer to Sports Direct. Centres should remind their students that there are 2 marks for application for 'explain' questions.

2 (a) Explain **one** benefit Sports Direct could gain from conducting a SWOT analysis.

(4) Q02a

A swot analysis identifies the strengths weaknesses, opportunities & Threats. This would help Sports Direct identify their inefficiencies & gain a competitive advantage in the market.

This response was awarded 2 marks. It shows good understanding of SWOT and also explains a benefit of its use. However, no examples have been used from the extracts to support the answer, so consequently no marks for application can be awarded.

2 (a) Explain **one** benefit Sports Direct could gain from conducting a SWOT analysis.

(4) Q02a

SWOT analysis is a tool business use to that proposes the internal strengths and weaknesses and external opportunities and threats.

One way in which they used their SWOT analysis is by seeing the external opportunity of buying house of frazer. They saw the opportunity to transform house of frazer into the 'Harrods of the High street'. By seeking this opportunity helps them to gain a competitive advantage and purchase an economies of scale given the rapid growth.

This response gained 4 marks. It reveals good understanding of SWOT analysis and explains a benefit of its use to Sports Direct by including 2 relevant examples from the extract: 'the external opportunity of buying 'House of Fraser' and transforming it to the 'Harrods of the High street'.

### Question 2(b):

Most students were able to correctly state the formula for operating profit margin, but a significant number were unable to perform the calculation correctly. A common weakness was the inability to calculate operating profit. Other mistakes seen were not calculating to 2 decimal places and failing to express the figure as a %.

(b) Using the information in Extract E, calculate the operating profit margin for Sports Direct in 2018. State your answer to two decimal places. You are advised to show your working.

(4)

$$\text{Revenue} = 3359.5 \text{m}$$

$$\text{costs of sales} = 2024.4 \text{m}$$

$$\text{costs of other} = \text{expenses} = 1156.1 \text{m}$$

$$2024.4 + 1156.1 = 3180.5 \text{m}$$

$$3359.5 - 3180.5 = 179$$

$$\text{operating profit} = \text{£}179.00 \text{ million}$$

This response was awarded 2 marks for calculating operating profit correctly. Unfortunately, this student revealed no knowledge of how to calculate the operating profit margin.

(b) Using the information in Extract E, calculate the operating profit margin for Sports Direct in 2018. State your answer to two decimal places. You are advised to show your working.

(4) Q02b

$$\text{Operating} = \text{Operating profit} \\ = (\text{Gross profit} - \text{expenses})$$

$$\frac{\text{Operating profit}}{\text{Revenue}} \times 100$$

$$\text{Gross profit} = 3,359.5 - 2,024.4 \\ = [1,335.1]$$

$$1,335.1 - 1,161.1 = [0.174]$$

$$\frac{0.174}{3,359.5} \times 100 = [5.328\%]$$

This response was awarded 3 marks. The calculation is correct but has not been stated to 2 decimal places.

### Question 2(c):

This question proved to be challenging for many students. There was often incomplete understanding of sales forecasting, many students confused it with cash flow forecasts. The skill of application was also generally weak for this question, despite the information available in Extract F. Consequently, even those students who showed good understanding of sales forecasts, failed to apply it to Sports Direct.



(c) Assess the usefulness of a sales forecast for Sports Direct.

(10) Q02c

A sales forecast is when a business can predict what its sales will be based off of previous years.

One reason why a sales forecast would be useful for Sports Direct is due to them being able to see whether most of their sales will come from the online retail or in store retail, this and at what points in the year will be busiest. This then allows them to have an idea of staff needed in store at different points and also allows them to ensure their stock levels are at the right point for the demand they are expected to receive. This allows Sports Direct to save money as there will not be staff being paid to work when they don't need to be there <sup>as more sales are online.</sup> and saves wastage in stock. However, sales forecasts are only useful if it plans out the same as the year before. This is because there are ~~extern~~ external

factors which influence how people shop. For example, 2020. Stores were forced to close due to a pandemic which caused a rise in people using online as a way to shop. This as well as this, online purchases are already growing at 10 times the rate of physical store sales which means the use of online will keep growing each year.

This response was awarded Level 3, 6 marks. It reveals good knowledge of sales forecasting. It considers both the value and limitations of a sales forecast. Arguments are developed and consistently supported by the context. Although it has balance, not all arguments are fully developed, and it fails to conclude with a supported judgement.

(c) Assess the usefulness of a sales forecast for Sports Direct.

(10) Q02c

A Sales forecast predicts sales in the future of a business, using past data.

It is useful for a business as it can help a business to predict and therefore prepare for the amount of sales. In relation to Sports Direct, this would be making sure they had enough sizes of shoes and variety of clothes for when they are likely to have a high amount of demand. As a result of this, firms can ensure they have enough stock, cash and staff to meet customer demand, to ensure good customer service and a happy customer. This is useful as it prevents a customer having to go to a competitor such as JD Sports instead. However, it is hard to predict a sales forecast due to external shocks.

On the other hand, a sales forecast is not useful<sup>as it is unreliable</sup>. This is because it is very hard to predict future sales due to external factors such as "Changing consumer behaviour" of which the business has no control over so it can't take it into account for its sales forecast. As a result, Sports Direct may have the wrong quantity on

type of shoes if tastes have changed to something else such as to another brand.

Therefore it is not very useful in predicting for business. However, it should be taken into account as long as it is not the only basis of decisions.

'Based on the evidence, Sales forecasts are useful to a business such as ~~to~~ Sports Direct in planning resource management for the future. However, there can be many external factors which need to be taken into account such as changing tastes. Therefore it should not be used alone in making decisions, rather more as a basis.

This response was considered to be Level 4, 8 marks. It reveals good subject knowledge and arguments both for and against the usefulness of sales forecasts. The first paragraph is particularly strong, due to the fact that the argument is well developed and consistently supported by relevant context. The counter argument is valid and supported by relevant context but is not as well developed. The conclusion is supported but would have benefited from the use of 'MOPS'.

#### **Question 2(d):**

This question proved to be accessible for most students. Although many students failed to provide a clear understanding of corporate culture, generally they were able to make relevant points. A common weakness was the lack of balanced responses. There were numerous examples of responses that identified and analysed the negative consequences for Sports Direct but were unable to offer a counterbalance. Consequently, these responses gained little credit for evaluation. Centres need to remind their students that 4 out of the 12 marks available for this question are for evaluation.

(d) Assess the likely consequences for Sports Direct of its corporate culture.

(12) Q02d

Corporate Culture refers to the overall attitude, treatment and ethics that make up a firm. Sports Direct have been publically shamed for their corporate culture in their warehouse. This could have a consequence on the brand image of the firm. The firm can be deemed as unethical as there were allegations of workers being paid below minimum wage. ~~and this~~ ~~is~~ ~~was~~ this would have massively damaged the companies brand image ~~as~~ and effected sales as consumer trends are becoming ethically focused <sup>within</sup> the modern market. This damaged brand image due to it's corporate culture will have resulted in a loss of sales, so therefore loss of revenue which may ~~possibly~~ make improving ~~the~~ the human resources department increasingly difficult. It depends on how much consumers care, of which may be limited as sports direct operate in an elastic market, meaning consumers may be more concerned about price than ethics.

Another consequence of it's corporate culture is

costs will be very low. This will allow Sports Direct to reduce price - which would increase revenue due to ~~its~~ its products being elastic. This increased revenue would therefore lead to ~~an~~ increased profit margins (assuming costs stay the same / decrease). This is important for sports direct as it is revealed they have lost £50 million from an investment into debenhams. This depends on the companies ability to keep costs low.

Overall, it is likely productivity is low, according to Maslow's hierarchy of needs, as the staff are not ~~not~~ <sup>given</sup> with basic physiological needs, like ~~the~~ getting in trouble for using the toilet. This may mean that where costs are cut from staff mistreatment, they ~~are~~ go back up through low productivity meaning cost per unit is increased.

This response was considered to be Level 3, 7 marks. The first paragraph is good. It reveals good understanding of corporate culture and a well-developed argument, supported by use of context, regarding the possible negative consequences. It also concludes with a perceptive counter argument.

The second paragraph attempts to provide counterbalance, but the student has not established the link between Sports Direct's culture and its ability to keep costs low. Consequently, because the premise of the argument is unclear, the development was considered to be based upon assertion.

The conclusion fails to directly answer the question and instead identifies another possible negative consequence.

(d) Assess the likely consequences for Sports Direct of its corporate culture.

(12) Q02d

Corporate culture is 'the way we do things around here' and it is ingrained into a business.

One likely consequence of its ~~spc~~ corporate culture is that it will receive a bad reputation as an employer. This is because staff are allegedly "experiencing security checks" and "forced to work" when they are ill. This symbolises that Sports Direct have a culture where staff are seen as an asset rather than a person. ~~They~~ <sup>current</sup> Consequently, as they have no respect for staff, they may find it hard to find new workers as they will have a bad reputation so people won't want to work there. Thereby, it will prevent their ~~aim~~ firm from growing. However, this is only based on the investigation based in Derbyshire and may be different in other locations.

On the other hand, a consequence of the corporate culture is that staff may be more productive and work harder. This is because they are worried for their job security as they "could lose their unemployment at any moment".

This could result in higher productivity and therefore higher efficiency and lower output costs in packaging and dealing with orders or new shoes, delivering it faster to the customer, improving service;

Consequently, lowering costs of production and improving competitiveness <sup>against JD Sports</sup> and profits. However, this may only be short term as they may find another job which is better. \$

Based on the evidence, there will be both negative and positive consequences of the corporate culture.

However, the most important is that they will gain a bad reputation as an employer. This is because it will have a significant effect on people not wanting to work for the British retailer rather than the little effect of increased productivity within one warehouse, of which this is also only a short term benefit. In the long run, if ~~none~~ no one wants to work for the retailer, they will have a significant impact on growth for the business as it is an industry vital for ~~the~~ labour intensive work due to ~~the~~ face to face customer service. ~~and A~~



This response was considered to be Level 4, 10 marks. It reveals good understanding of corporate culture and provides both negative and positive consequences.

It is well structured, with separate paragraphs for each consequence. The arguments are well developed, supported throughout by relevant use of context and consistently linked to Sports Direct's corporate culture.

The conclusion answers the question, is supported by the previous arguments and provides a justified judgement. There is effective use of 'MOPS', through the recognition of the importance of the workforce for a labour-intensive business such as Sports Direct.

### **Question 2(e):**

This question proved to be accessible for most students and there was little evidence that they had insufficient time to answer it. Generally, students revealed understanding of the 2 options, but often this was incomplete, with plenty of misconceptions. The skill of application was better for this question, with most students making effective use of the extracts. As seen in previous sessions, the best responses for 20-mark questions, tend to make fewer arguments, but these are fully developed with consistent use of context. The conclusion/judgement is supported by the previous arguments and justified with the use of 'MOPS'.

e) Sports Direct aim to reduce the labour turnover of its workforce. Labour turnover is the total number of employees who have left the company, compared to the average number of employees. Sports Direct have developed two ways in which to reduce the labour turnover, either introduce an employee share ownership scheme or implement an empowerment strategy.

Firstly, introducing an employee share ownership scheme, which is where all employees are responsible for each other. This will give employees a sense of pride for their work, and they will not want to let each other down, as well as they will want to drive for success for others. This will increase their motivation and overall productivity. If their motivation increases and they become united as one working together, this will reduce labour turnover, as they will become more fulfilled with their job and are less likely to leave. However, employees may feel that they may be mistreated using employee share ownership scheme, as they are punished for someone else's mistake or action, therefore they will become more frustrated and less motivated. As this process is repeated, the employees may begin to leave as they are too unmotivated to work and function in the workforce.

Moreover, implementing an empowerment strategy will increase productivity within the workforce as all the workers are wanting to be promoted to a position of power. With an empowerment strategy Sports Direct may be able to reduce labour turnover as employees will be more inclined to stay and work harder in order to be promoted to the position of power. However, using an empowerment strategy may un motivate some workers, as they will not be willing to be given instructions by a partner and may become fed up with the system. Some workers may also take advantage of the empowerment strategy and misuse their power. This means that some of the workforce may feel mistreated and will end up quitting. This would further increase labour turnover.

In conclusion, Sports Direct would be most suitable in using employee share ownership scheme in order to reduce labour turnover. In a competitive changing mass market, it is extremely important that a business like Sports Direct keep productivity high in order to increase output and gain a high market share. Therefore, a low labour turnover level is important in maintaining productivity. Employee share ownership scheme will allow employees to work together more as a team and increase morale and motivation, more friendships will be made and they will feel less inclined to leave, which will decrease labour turnover.

This response was considered to be Level 2, 8 marks. It reveals understanding of labour turnover, but incorrect knowledge of both employee share ownership and empowerment. Consequently, the arguments for each option are incomplete. The conclusion attempts to address the question, with some use of context (Sports Direct operates in a competitive changing mass market), but the overall lack of understanding results in a lack of awareness of the key features of Sports Direct's situation.

It could be argued that Sports direct should introduce employee shared ownership schemes in order to reduce labour turnover. This staff will be able to possibly be sold a share which is better value than what it would typically be sold for, which means that staff are able to achieve an increase in wages, which may counter the fact that they are 'being paid below the minimum wage'. Consequently meaning that staff may be more highly motivated as they have a greater financial to work harder, whilst also making them feel valued by the business, through being a part owner of Sports Direct. This means they are less likely to leave as this may mean they will lose their share, suggesting that an employee shared ownership scheme may reduce labour turnover. However if workers are 'fearing their bosses and 'experiencing security checks' it could be argued that this may significantly reduce the feeling of being valued by the business, and if this is outweighed by the value generated by the employee shared ownership scheme, it may still mean that labour turnover is high.

Therefore it may be more suitable for Sports direct to implement an empowerment strategy, means that staff are given more challenging work which may add variation to their job. This is important to Sports direct as with staff in Sports direct on the shop floor, typically being of low skilled as this is what the industry is like. Staff may be able to generate new skills as a result of experiencing empowerment. This may also mean that Sports direct invest in training for the customers to ensure the empowerment strategy is correctly carried out, which will increase staff skill and helped them feel valued. Thus meaning they are less likely to leave and decrease labour turnover. However with employees having to attend work 'despite being ill' and having the fear of losing their job if they were 'one minute late for their shift'. It could be argued that staff won't want to do more challenging and interesting jobs, as they may feel resentment towards managing team who they 'fear' thus not be motivated to do challenging work for Sports Direct. Therefore suggesting that implementing an empowerment strategy will not decrease staff turnover.

However, the suitability for one of the reasons to be used is dependent on economical factors. For if an economic recession is occurring or disposable incomes are low, then low skilled staff within Sports Direct, may be so desperate for cash that an empowerment strategy, may not be as effective. Whilst an employment share scheme, will mean staff can generate more cash, which may be essential in a struggling economic period, meaning that the scheme will be more suitable for Sports Direct in order to decrease labour turnover.

Overall I believe that the employee shared ownership scheme will be more effective in reducing staff turnover, as with staff already experiencing 'below

minimum wage' pay, finance may be a significant priority to them especially if an economic crisis is occurring. Although an empowerment strategy may mean that lower skilled jobs such as working the shop floor in Sports direct, have more variations to their job. Due to the fact that finance is an essential, introducing employee share schemes will be more suitable for reducing labour turnover.  
Depends on economic condition

This response was considered to be Level 4, 15 marks. It reveals good understanding of both employee share ownership and empowerment. Arguments for each option are well developed with effective use of context. The limitations of each option are also considered.

The conclusion/recommendation is supported by the previous arguments and focuses upon the objective of reducing labour turnover. However, the conclusion could have been more detailed through justifying the option of employee share ownership with greater use of 'MOPS'.

