

2879 The Business Thematic Enquiry

Theme for 2005

The theme for January 2005 and June 2005 is **Risk and Reward**.

1 Risk and Reward

The concept of risk and reward is a central feature of the way decisions are made within a business. All businesses must take risks in order to survive and seek reward as a consequence of taking risks successfully. However, good business practice will seek to assess risks, and to minimise them where possible. Careful and sufficient research is normally undertaken to ensure that the benefits resulting from a decision are greater than the likely total costs.

The case studies contained within the examination papers for January and June 2005 will outline situations in which a business has a choice between two or more solutions to a problem. The risks and rewards associated with each option will be different and the candidate will be expected to make a reasoned and supported decision.

In the situations presented to the candidate in each of the case studies for 2005 there will be scope to consider the operations management, human resource, marketing and financial aspects of the problem or its solution. There will be a specific focus in the title chosen for the report and an expectation that the report will be written in a way which answers the question posed in the title.

It is impossible to consider all the facets of such problems in the time available. Good answers will be the ones which see the problem from one or two perspectives which the candidate considers most significant. To give focus to study and assist preparation for the examination, candidates should be aware that the central focus for each of the examinations in 2005 will be:

- *January 2005* - A firm providing specialist computer programme packages;
- *June 2005* - A sports firm making skateboards.

The notes which follow are designed to provide a basis for, and guidance in, preparing candidates for entry to the examination in January and June of 2005 **only**. Before reading the notes you might find it helpful to read:

- the formal requirements for Unit 2879 and the criteria used to assess the examination, which can be found in the OCR specification;
- the Principal Examiner's reports on the Unit 2879 examinations in 2002, 2003 and 2004.

2 The Formal Structure of the Paper

In each paper there will be **two** tasks and the rubric of the paper will include the statements below:

Required:

You are required to write a report for the business, advising its management of the best approach to the risk and reward situations outlined in the case. The case itself is the main source of evidence and every effort should be made to write a report which is based on the case evidence and not on generalised theoretical understanding of the issues which has been prepared in advance.

In writing your report you should use the evidence given in the case and the evidence you have gathered from your studies of problems and strategies associated with risk and reward. The title will be given and the report must be structured and written in a way which proposes and argues a solution to the problem stated.

It is desirable to take a stance on a particular issue or focus. For example, a candidate may well decide that there is a central human resource, marketing or financial problem which must be solved as a pre-requisite to making a rational decision. However, the report must propose an answer to the question posed and not just a solution to the issue the candidate has identified.

The Requirements as stated on the Paper

The instructions on the paper are always the same and require two tasks to be completed.

***Task 1: Write a plan for your report in which you make clear:* (10)**

- (i) the problem as you see it, and the need to solve it;
- (ii) the context in which this problem must be solved;
- (iii) your objectives in your approach to the problem;
- (iv) any assumptions you make and the reasons for them.

You are advised to spend not more than 15 minutes on this task.

This is a preparatory task which should not include any argument about the central problem. The purpose of Task 1 is to enable the candidate to meet the assessment requirements of Criterion 1 and to set report related objectives. This includes the opportunity to make assumptions which might limit the focus of the Task 2. For Example: "I assume the necessary finance is available" would be a sensible assumption in a situation where there is no evidence to suggest problems in raising finance.

Task 2 is as follows:

Task 2: Write your report. (80)

In your report you must satisfy the criteria on which this assessment is based. You should ensure that you:

- (i) provide terms of reference for the report;
- (ii) select appropriate evidence for this task (you should use evidence from the case, from business theory and from the work you have done in preparation);
- (iii) present and analyse the evidence logically and in line with the objectives you set and the assumptions you made in the plan;
- (iv) consider the situation and arrive at a supported recommendation.

3 Completing These Tasks

The Plan

The plan carries only 10 of the marks. These are the five from Criterion 1 and half the marks from Criterion 2. Its value, however, lies in the thought and structure which goes into the process, and the positive effect this then has on the report itself. To gain the marks it is essential that the candidate completes the first three elements and includes in element four any assumptions that are being made which will indicate the perspective from which the candidate is writing the report. Examples of what is meant by this can be seen in the Principal Examiner's reports for unit 2879.

The Report

Criterion 9 assesses the extent to which the requirement for a well structured report format has been used. There is no house style for this, but there should be a logical separation into sections which are appropriately headed and a clear conclusion which addresses the issue(s) included in the title.

Right answers are not assumed. Any answer which follows a logical and supported argument in line with a selected perspective is sufficient, provided the connection between the perspective being developed and the nature of the

question posed is made clear and evidence to support the chosen perspective is selected from the case and interpreted and analysed correctly.

Example

The case **might** contain a financial constraint or an issue relating to external pressures. It could be that these matters must be addressed before any planned consideration of risk and reward can take place. The candidate may argue that such issues are crucial to the intended outcome. A report which focuses entirely on the selected issue(s) and does not relate it back to the question posed will not have answered the question.

4 Assessment

Assessment will be by OCR examiners using the criteria set out in the specification for unit 2879. Each of these criteria will be applied to the work as a whole. Candidates may demonstrate the skills being assessed in any part of the report. Candidates should be aware of the skills they must demonstrate and have developed them during their course of study.

5 Time Management

The report is expected to be short. It should be capable of being written in not more than 50 minutes. This is because candidates will need at least:

- 10+ minutes to read the case;
- 10+ minutes to prepare the plan (Task 1, Section 2 above);
- 10+ minutes to read through and amend the work.

Writing the report in the time available requires practise and puts a premium on the conciseness and preciseness of the candidate's written style. This should be a matter of practise in preparation.

6 Use of Evidence

The Business Thematic Enquiry is an alternative to the Business Project (unit 2878) which is based on the study of a specific problem. To ensure that unit 2879 is a real alternative, candidates are expected to make use of appropriate knowledge and understanding drawn from their study of risk and reward in preparation for the examination. Most of the evidence will come from the unseen case itself, but there will be many opportunities to support the points made with knowledge (both theoretical and practical) drawn from previous study. To gain the marks available there will have to be genuine **use of** such knowledge and not its mere presentation.

Example

For example, candidates may be aware of an instance in which a business has decided to take a significant risk and either succeeded or failed. There

may be lessons in this experience which could be applied to the case they have to deal with. But the details must be sufficient to make clear that the example is real and the evidence offered must be used and not just written about.

In the case itself, there will be a variety of ways to proceed and it is the *logic* of the answer which will earn the marks, not how “correct” is the solution. In the case there will be some information which is not relevant. This is to allow the candidate to show selectivity by using only the information which can be effectively used in supporting the candidate’s argument.

To support a particular approach, the candidate may wish to make assumptions. This will be rewarded provided each assumption made:

- is clearly stated (this should be in the plan);
- is supported by argument;
- clearly assists the candidate’s report;
- is not a distortion or a neglect of the evidence.

7. ‘Risk and reward’ in the OCR A-level Specification

Risk and reward is a common element of the specification and some examples are given below, taken from each of the four compulsory components of the A-level. Risk and reward is viewed from the perspective of all stakeholders. Study of the topic includes understanding of its implications for the activities in which a business engages and the objectives it has. The case will present a situation in which the concept of risk and reward must be considered in relation to a number of future options.

Some examples within the specification:

2879 is a unit examined on the basis of all the study undertaken in the AS examination, the opportunities taken for enriched understanding in studies outside the centre and the elements studied in **2880 Business Strategy**. The unit does not *require* any of the additional understanding of the specification of the “further” components **2874-2877**. However, candidates have the opportunity to use understanding gained through study of a further option to enrich the answer offered. The notes below relate to **risk and reward** as a topic and to factors which will commonly impinge on decisions about risk and reward.

From AS:

- the changing nature of objectives and the influence of such change on decisions and behaviour. For example, taking a risk in order to develop may threaten survival;
- the risks businesses take and the rewards they seek;
- stakeholder objectives and possible responses in given decision situations;

- the influence of the state and of the law on a business's decision-making;
- the State as a source of constraints and of support;
- external costs associated with different choices;
- potential marketing implications of any move or new development;
It is certain that competitors will respond to actions taken and this may increase risks or reduce profits.
- market research in as far as it might affect a particular choice. Risks are reduced by careful and appropriate market research but this will also increase the costs.
- relative costs and benefits of any possible solution. Money costs are obviously important but many choices also carry with them non-monetary costs which must be assessed and considered.
- the human resource problems which might be arise as a result of a business decision.

From A2:

- formation of objectives and strategies;
- the impact that different stakeholder behaviour might have on the choice or implementation. The ultimate consequences of risk taking will be borne by the owners or shareholders but workers may lose their jobs and customers their source of supply.
- appropriate ways of gathering and summarising data relevant to the decision. Questions could arise about the sufficiency or appropriateness of the information available.
- labour market factors;
- opportunities for market and economic growth relating to the risks;
- different styles and degrees of government intervention;
- the targets set and their realism in the circumstances;
- the likely effect of changing market forces and economic circumstances on the outcome of a given option;
- the culture of the business and the extent to which the decision makers are prepared to take risks. Safe action with little risk and low returns v bold action with much larger returns but substantially increased risk.
- presentation and argument for a preferred strategy;
- assessing likely performance in the situation presented;
- issues relating to the effective management of the change.

8 Examples from study in the community.

In every community there will be businesses which have taken risks or are faced with the need to take them. Some of these situations can be studied from the point of view of the objectives being pursued, the risks associated and the rewards.

Example

There are many communities within which a choice of new methods of transport is required and the options may be guided by business needs, e.g. opening up old or new rail links, or more effective control of traffic. All present different risks and varying rewards in terms of the objectives. Small businesses take real risks when they open up. An examination of why one small business has failed or is struggling whilst another is succeeding may well prove fruitful.

9 Sources of Information

- Standard textbooks. It is important that the ones used are of A Level standard. The text endorsed by OCR and published by CUP provides a sufficient foundation and leads into the synoptic approach required to demonstrate problem-solving skills in unit 2879. At A2, risk and reward decisions should be considered holistically and effective strategies must be planned, executed, reviewed and modified.
- Past papers, mark schemes and examiner reports on unit 2879.
- Articles in Business Review.
- The Internet and reference libraries.
- News sources of all kinds and the activities of individual businesses or business groups like the Chamber of Commerce, The Rotary Club or the British Institute of Management can all be of considerable use in preparation.
- A good starting point may well be to take a local risk and reward situation and debate potential choices.
- Many of the past cases in Business Studies examinations could be considered as risk and reward cases, a suitable title suggested and a report written.

Experience has shown that it is not wise to over structure what candidates might do in the examination. The danger is that the eventual report, though well structured, will not focus effectively on the actual problem posed, will present too much theory and will make insufficient use of the case material in developing an argument. Practise in using the skills as assessed in the criteria is, however, essential to success.