Answer	Marks
Analyse <u>two</u> reasons why it is important for a business to set SMART objectives.	8

Use Table D to mark each candidate response.
AO1 out of 2 marks.
AO2 out of 2 marks.
AO3 out of 4 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- An objective is a statement of what a business hopes to achieve.
- SMART is an acronym used as a guide for setting objectives.
- It has come to mean objectives that are:
  SPECIFIC
  MEASURABLE
  ACHIEVABLE
  REALISTIC
  TIME-LIMITED.

AO2 Application
- SMART is considered to be an effective business tool and helps to measure business performance.
- It provides the clarity, focus, and motivation that is required if business goals are to be met.

AO3 Analysis
- Effective business decisions require SMART objective setting to allow business to measure whether it has met its original objectives.
- A SPECIFIC approach requires objective setters to ask the correct questions: what needs to be accomplished in this business, why it is important, what resources are involved.
- A focus on a MEASURABLE approach focusses on questions such as when it will be accomplished, so that progress can be tracked and assessed and deadlines reached.

Answer	Marks

- A concern with REALISTIC asks whether the timing is right and the conditions in the external environment are appropriate.
- TIME-LIMITED provides discipline and ensures that short-term tasks do not take priority over longer term-objectives.
- Could SMART become inflexible and stifle creativity?

Accept all valid responses.

AO1	2
AO2	2
AO3	4

Evaluate the view that a mission statement is only important to a bank if it significantly influences the strategy and tactics of that business.	12

Use Table E to mark each candidate response.
AO1 out of 2 marks.
AO2 out of 2 marks.
AO3 out of 2 marks.
AO4 out of 6 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- Mission statements define the core purpose and focus of a business.
- Internally they are designed to motivate employees and provide a context for all business activity.
- Strategy is about the long-term business decisions affecting the whole of the business and the focus of senior managers.
- Tactics are short to medium-term decisions taken by less senior managers in departments or divisions of a business.

AO2 Application
- Mission statements can be devised by the directors of the bank and referred to by all bank employees.
- Mission statements are devised to become part of the operating focus of all the bank employees.

Answer	Marks
AO3 Analysis • A mission statement may provide direction which allows a business to develop tactics and strategy and meet objectives such as profit and sales. • Without the direction a business' stakeholders may pull in different directions leading to inefficiency, increased costs, failure. • If mission statements did not work they would not be used by so many businesses. • A business may spend significant time formulating a mission statement which is so general that it has little relation to actual direction of the business and does not provide focus. • A business may be so focused on a 'pre-set' mission that it misses new opportunities which could allow the business to diversify. • A mission statement might add no value to the business, increasing costs with no increase in profit/profitability. **AO4 Evaluation** • What are the most important factors that could affect the impact of a mission statement on a bank? • Changes in the dynamic business environment can make a mission statement set several years ago seem irrelevant. • Are mission statements often little more than vague statements or wish lists that few believe in? • Can mission statements really influence strategic and tactical business decisions when most banks are trying to maximise profits? • To what extent might factors such as exceptional leadership in a bank or a carefully crafted bank mission statement affect the importance and influence of a bank mission statement? • Mission statements can also have an external impact and allow businesses to be made accountable to stakeholders. • Judgement made on the significance or importance of mission statements. Accept all valid responses.	
AO1	2
AO2	2
AO3	2
AO4	6

A-Level Business: **Specimen 1**

Answer	Marks
Analyse <u>two</u> possible disadvantages to a business of using performance-related pay to motivate its employees. Use Table D to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Performance-related pay (PRP) links salaries/wages to an assessment of performance measured against pre-agreed performance criteria. • PRP may set non-achievable targets. • May lead to conflict between employees. **AO2 Application** • Often used to remunerate employees whose output is not measurable in quantitative terms such as management/ supervisory/clerical posts. • An optional reward/motivation method for employees who are considered to have given exceptional performance. **AO3 Analysis** • For some employees PRP is seen as a device to intensify work demands, increase productivity leading to worker exploitation and high stress. • It can lead to rifts and divisions in teams if some are not included in a PRP scheme – they will feel their work is less valued. • There are problems in deciding how to measure 'above average' performance – employees' views will differ from managers' views. • PRP can put power into the hands of managers leading to favouritism or discrimination. • It requires detailed information about employees and their jobs.	8