Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/42**

Paper 4 Business Strategy **October/November 2024**

1 hour 15 minutes

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Any blank pages are indicated.

DC (CE/JG) 336959/2
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Puli Insurance (PI)

PI only sells its own car and home insurance. It was set up as a private limited company in 1988 by Kwami Puli to sell insurance to customers in country D. Kwami was Managing Director (MD) until 2019 when he retired. His son, Idir, became the new MD. Kwami remains the largest shareholder of this family business.

Timeline of PI

2020	Idir believes that PI has poor employee performance. He dismisses the Human Resource (HR) manager and adds the role to his own duties. Idir commissions an independent business analyst to report on the HR issues in the company (see **Appendix 1**).
2021	Idir reviews the existing organisational structure (see **Appendix 2**) and makes recommendations to the Board of Directors (see **Appendix 3**), which are quickly adopted.
2022	All PI managers are sent on a five day off-the-job training course to encourage intrapreneurship. Trade union membership (as proportion of total workforce) increases to 60%.
2023	Idir implements a 'paperless office' policy which orders all employees to use electronic communication whenever possible. All employees are issued with a smartphone for business use only.
2024	Idir is interviewed by a trade magazine about his first five years as MD of PI (see **Appendix 4**).

Developing a new business strategy

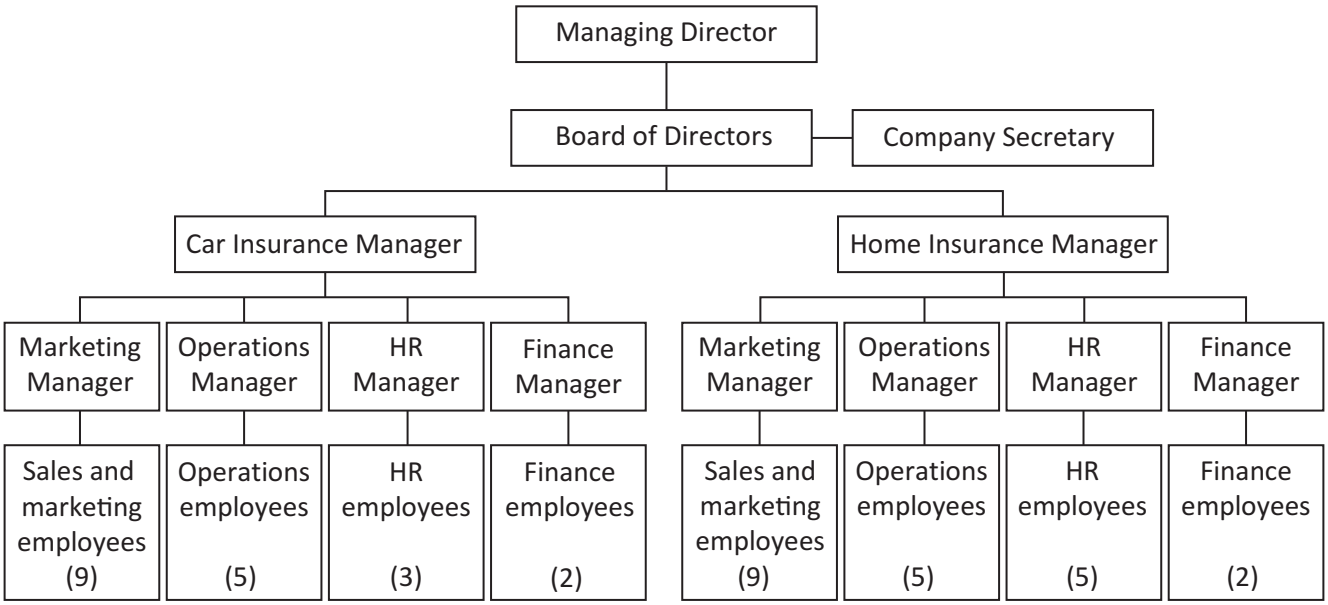
Idir wants to target pet owners to sell them pet insurance (to pay for medical treatment for domesticated animals). The market for pet insurance in country D is growing rapidly and is set to reach $5bn by 2026. The market segment is dominated by two large competitors and it will require significant investment to enter successfully. Idir believes that PI could gain economies of scale by selling to this market.

Idir will need advice on what accounting data he should use to help him develop this new business strategy.

Appendix 1 Extract from a report outlining the HR issues in PI in 2020

	PI	Industry average in country D
Labour turnover	2%	15%
Absenteeism	12%	5%
Lateness	27%	10%
Management average emotional quotient (EQ) score	120	80

Appendix 2 Organisational structure of PI in 2021



The number in brackets indicates the number of employees.

Appendix 3 Summary of Idir's recommendations to the Board of Directors in 2021

- Delayer the organisation structure by combining the car and home insurance sections of the business, making the car and home insurance managers redundant.
- Reduce the number of functional managers and employees through involuntary redundancy.
- Decentralise decision making to the remaining functional managers.
- Introduce financial penalties for lateness and financial incentives for 100% attendance.
- Increase use of information technology (IT), especially in sales.

Appendix 4 Extract from a 2024 interview in a trade magazine

It has been an exciting journey since I took over from my father. He believed in soft HR and I do not. Our labour turnover has risen, but our cost of sales is low, and we have the highest gross profit margin in the industry.

We've doubled sales since 2020 with half the number of employees. Now there is almost no lateness or absenteeism. No other insurance business in country D has better trained employees than PI. I am proud to have led PI through the last five years and I look forward to increasing shareholder returns in the future!

Answer **both** questions.

1 Evaluate the success of Idir's strategy for improving employee performance between 2020 and 2024. [20]

2 Advise Idir on what accounting data he should use to help him develop a new business strategy for PI to sell pet insurance. [20]

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