BUS.AL30 Setting Functional Objectives: Marketing, Operations, Finance, HR

AQA 7132 · Calculators not allowed · about 75 minutes

Total Marks

Name: ______________________________ Date: ____ / ____ / ______

Answer ALL questions. Write full sentences for questions worth 3 marks or more. Use the case contexts given in prompts where provided. Show working for any numerical reasoning.

1 Which one of the following is an example of a typical MARKETING functional objective?

- ☐ A) Achieve 90% capacity utilisation in manufacturing
- ☐ B) Reduce staff turnover to below 10% per year
- ☐ C) Increase market share in the UK by 4 percentage points in 12 months
- ☐ D) Maintain a current ratio above 1.2

(Total for Question 1 is 1 mark)

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2 Identify which functional area is most likely to set a target of 'reduce machine downtime by 15% this year'.

- ☐ A) Finance
- ☐ B) Operations
- ☐ C) Marketing
- ☐ D) Human resources

(Total for Question 2 is 1 mark)

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3 Identify which functional area is most likely to set a cash-flow target such as 'maintain monthly net cash inflows of at least 10,000 pounds'.

- ☐ A) Human resources
- ☐ B) Marketing
- ☐ C) Finance
- ☐ D) Operations

(Total for Question 3 is 1 mark)

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4 State two typical functional objectives that the marketing department might set to support a corporate growth strategy.

(Total for Question 4 is 2 marks)

5 State two functional objectives an operations department might set to improve efficiency.

(Total for Question 5 is 2 marks)

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6 Explain one advantage to a finance department of using SMART objectives, for example 'improve net cash inflow to at least 12,000 pounds per month within six months'.

(Total for Question 6 is 3 marks)

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7 Explain one potential drawback for HR of setting a very low staff turnover target, for example 'reduce voluntary staff turnover to below 5% per year'.

(Total for Question 7 is 3 marks)

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8 Case: Clearwater Drinks plc's corporate objective is 'grow UK market share by 6 percentage points in two years'. Analyse how this corporate objective should shape a specific operations functional objective such as a capacity utilisation target.

(Total for Question 8 is 6 marks)

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9 Which one of the following STEEPLE factors is most directly likely to affect a finance department's objective to 'maintain a low cost of borrowing'?

- ☐ A) Social trends
- ☐ B) Technological change
- ☐ C) Economic interest rate movements
- ☐ D) Legal employment regulations

(Total for Question 9 is 1 mark)

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10 Explain how a technological change, such as automation in production, might affect a marketing functional objective to 'launch three new product variants within 12 months'.

(Total for Question 10 is 3 marks)

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11 State two internal factors that will shape HR functional objectives when aligning with corporate strategy.

(Total for Question 11 is 2 marks)

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12 Explain one example of a conflict between a marketing functional objective and a finance functional objective, and state the consequence of that conflict for the business.

(Total for Question 12 is 3 marks)

13 Analyse how a corporate objective to 'improve net profit margin by 8% within 12 months' should influence a finance department objective such as 'improve return on capital employed (ROCE) by 5 percentage points'.

(Total for Question 13 is 6 marks)

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14 Identify which functional area would set a target stated as 'reduce overtime hours by 20% to control labour costs'.

- ☐ A) Marketing
- ☐ B) Finance
- ☐ C) Operations or HR
- ☐ D) Research and development

(Total for Question 14 is 1 mark)

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15 State two practical ways a business can ensure functional objectives are aligned with corporate strategy.

(Total for Question 15 is 2 marks)

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16 Evaluate how a business should resolve the conflict between marketing wanting to increase advertising spend to gain market share and finance insisting on strict cost control to protect profit margins. Make a justified conclusion and show the trade offs you consider.

(Total for Question 16 is 16 marks)

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Question 1

- **B1** C cao
- **Answer: C**

Question 2

- **B1** B cao
- **Answer: B**

Question 3

- **B1** C cao
- **Answer: C**

Question 4

- **B1** increase market share by a stated percentage or points
- **B1** grow sales revenue by a target amount or percentage, or increase brand awareness metrics
- **Answer: Any two, for example: increase market share by a specified percentage; increase sales revenue or brand awareness by a stated target.**

Question 5

- **B1** increase capacity utilisation to a specified percentage
- **B1** reduce average production lead time or reduce defect rate by a stated percentage
- **Answer: Any two, for example: increase capacity utilisation to a target percentage; reduce production lead time or defect rate by a stated amount.**

Question 6

- **B1** identifies an advantage, e.g. provides clear, measurable targets for monitoring cash performance
- **B1** develops the point, e.g. the finance team can produce monthly cash forecasts and compare actuals to the target
- **B1** links to an outcome, e.g. this allows early corrective action such as arranging short-term finance if targets are missed
- **Answer: A SMART cash-flow target gives clear measurable criteria so finance can forecast monthly cash, compare actuals to the target and take corrective action, such as arranging short-term finance, if the target is missed.**

Question 7

- **B1** identifies a drawback, e.g. a very low turnover target may reduce opportunities to recruit fresh skills
- **B1** develops the point, e.g. the business may become stagnant if low turnover prevents bringing in new ideas or needed expertise
- **B1** links to an outcome, e.g. this could harm long-term competitiveness or innovation
- **Answer: A very low turnover target may limit recruitment of new skills, so the business could become stagnant and lose long-term competitiveness or innovation.**

Question 8

- **B1** identifies a relevant operations objective, e.g. raise capacity utilisation from current level to a higher percentage to meet increased demand
- **B1** explains how higher market share increases demand and so operations must expand throughput or improve utilisation
- **B1** analyses constraints, e.g. limited plant capacity, labour availability or lead times may limit how fast utilisation can increase
- **B1** analyses trade offs, e.g. pushing utilisation up may raise maintenance costs or defect rates if production is overstretched
- **B1** applies to the case by suggesting a quantified operations target, e.g. increase utilisation by X percentage points or add one shift, linked to the 6 point market share target
- **B1** concludes with implications, e.g. notes need for investment or coordination with marketing and HR to recruit/training staff

Question 9

- **B1** C cao
- **Answer: C**

Question 10

- **B1** identifies an effect, e.g. automation could speed up product development or production of variants
- **B1** develops the point, e.g. faster prototyping and lower unit costs allow marketing to schedule launches sooner or price competitively
- **B1** links to a marketing outcome, e.g. meeting the launch target becomes more feasible and may support a market share objective
- **Answer: Automation can speed product development and lower unit costs, making it easier for marketing to launch three variants within 12 months and to price them competitively, which supports market share objectives.**

Question 11

- **B1** available HR budget or financial resources
- **B1** existing workforce skills and current staff numbers or organisational structure
- **Answer: Any two, for example: the HR budget and the current skills mix or staff numbers in the organisation.**

Question 12

- **B1** identifies a conflict, e.g. marketing wants increased advertising spend to grow market share while finance wants to cut costs
- **B1** develops the conflict, e.g. increased spending reduces short-term profits or cash available to finance
- **B1** links to a consequence, e.g. potential underfunding of other areas, missed profit targets or delayed investments
- **Answer: For example, marketing may push for higher advertising spend to grow market share while finance seeks cost cuts; this reduces short-term profit or cash and can lead to underfunding of other projects or missed profit targets.**

Question 13

- **B1** identifies link between corporate profitability target and finance objective to improve ROCE
- **B1** explains contributions to ROCE such as increasing profit or reducing capital employed
- **B1** analyses possible measures, e.g. cost control, asset disposal or pricing changes to raise profit margin and ROCE
- **B1** analyses constraints or risks, e.g. cutting investment or assets may harm long-term capacity or competitiveness
- **B1** applies to the case by specifying how a 5 point ROCE target supports the 8% margin improvement, with examples
- **B1** concludes with cross-functional implications, e.g. need to coordinate with operations and marketing to avoid harming revenue while improving margins

Question 14

- **B1** C cao
- **Answer: C**

Question 15

- **B1** regular cross-functional planning meetings or strategic review processes
- **B1** cascading objectives where each department sets SMART targets that map to corporate KPIs
- **Answer: Any two, for example: hold regular cross-functional planning meetings; use cascading SMART objectives so departmental targets map to corporate KPIs.**

Question 16

- **Level 1** (1-4): Provides simple or one-sided points about the conflict with little application, no evaluation and no clear conclusion.
- **Level 2** (5-8): Demonstrates some application and analysis of the conflict, outlines options to resolve it, but evaluations are underdeveloped and the conclusion is weak or unsupported.
- **Level 3** (9-12): Analyses multiple ways to resolve the conflict, weighs benefits and drawbacks with application to the scenario, and reaches a reasoned conclusion though the judgement may lack full justification.
- **Level 4** (13-16): Thorough evaluation that balances costs and benefits of realistic options, integrates cross-functional implications, considers short and long term effects, and arrives at a clear, justified recommendation.
- **Indicative content:**
  - Set out the conflict: marketing argues extra advertising will increase market share and long-term revenue, while finance warns increased spend reduces short-term profit and may harm cash flow.
  - Options to resolve: phased advertising increase with measurable milestones; reallocate budget from lower-return activities; use lower-cost digital campaigns; seek temporary external finance for targeted campaigns; or set conditional spend tied to sales performance.
  - Costs and benefits: higher ad spend may raise customer acquisition and lifetime value, justifying the cost, but risks include poor ROI, cash-flow pressure and possible need to cut other functions.
  - Cross-functional implications: operations may need to raise capacity utilisation if campaigns succeed; HR may need to recruit or train staff; finance must model cash-flow and ROI scenarios to set acceptable spend limits.
  - Short term versus long term: short-term cost control protects margins and liquidity, long-term investment can build market share and pricing power; the business must balance timing and risk tolerance.
  - Measurement and control: propose SMART metrics, A/B testing of campaigns, agreed review points, and a contingency to pause spend if key performance indicators are not met.
  - Equity of trade offs: when aligned metrics show acceptable payback or customer lifetime value, limited and monitored ad investment is justified; otherwise finance-led restraint is appropriate.
  - Judgement example: recommend a phased, measurable marketing pilot funded by a small dedicated marketing budget or short-term finance, with clear ROI targets and monthly reviews, so marketing and finance share responsibility and risk.