

Markscheme

November 2023

Business management

Higher level

Paper 2

© International Baccalaureate Organization 2023

All rights reserved. No part of this product may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without the prior written permission from the IB. Additionally, the license tied with this product prohibits use of any selected files or extracts from this product. Use by third parties, including but not limited to publishers, private teachers, tutoring or study services, preparatory schools, vendors operating curriculum mapping services or teacher resource digital platforms and app developers, whether fee-covered or not, is prohibited and is a criminal offense.

More information on how to request written permission in the form of a license can be obtained from <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organisation du Baccalauréat International 2023

Tous droits réservés. Aucune partie de ce produit ne peut être reproduite sous quelque forme ni par quelque moyen que ce soit, électronique ou mécanique, y compris des systèmes de stockage et de récupération d'informations, sans l'autorisation écrite préalable de l'IB. De plus, la licence associée à ce produit interdit toute utilisation de tout fichier ou extrait sélectionné dans ce produit. L'utilisation par des tiers, y compris, sans toutefois s'y limiter, des éditeurs, des professeurs particuliers, des services de tutorat ou d'aide aux études, des établissements de préparation à l'enseignement supérieur, des fournisseurs de services de planification des programmes d'études, des gestionnaires de plateformes pédagogiques en ligne, et des développeurs d'applications, moyennant paiement ou non, est interdite et constitue une infraction pénale.

Pour plus d'informations sur la procédure à suivre pour obtenir une autorisation écrite sous la forme d'une licence, rendez-vous à l'adresse <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organización del Bachillerato Internacional, 2023

Todos los derechos reservados. No se podrá reproducir ninguna parte de este producto de ninguna forma ni por ningún medio electrónico o mecánico, incluidos los sistemas de almacenamiento y recuperación de información, sin la previa autorización por escrito del IB. Además, la licencia vinculada a este producto prohíbe el uso de todo archivo o fragmento seleccionado de este producto. El uso por parte de terceros —lo que incluye, a título enunciativo, editoriales, profesores particulares, servicios de apoyo académico o ayuda para el estudio, colegios preparatorios, desarrolladores de aplicaciones y entidades que presten servicios de planificación curricular u ofrezcan recursos para docentes mediante plataformas digitales—, ya sea incluido en tasas o no, está prohibido y constituye un delito.

En este enlace encontrará más información sobre cómo solicitar una autorización por escrito en forma de licencia: <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

The markbands and assessment criteria on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	<p>Little understanding of the demands of the question.</p> <p>Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking.</p> <p>Little reference to the stimulus material.</p>
3–4	<p>Some understanding of the demands of the question.</p> <p>Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used.</p> <p>Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.</p>
5–6	<p>Understanding of most of the demands of the question.</p> <p>Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time.</p> <p>Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization.</p> <p>Some evidence of a balanced response.</p> <p>Some judgments are relevant but not substantiated.</p>
7–8	<p>Good understanding of the demands of the question.</p> <p>Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used.</p> <p>Good reference to the stimulus material.</p> <p>Good evidence of a balanced response.</p> <p>The judgments are relevant but not always well substantiated.</p>
9–10	<p>Good understanding of the demands of the question, including implications, where relevant.</p> <p>Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response.</p> <p>Effective use of the stimulus material in a way that significantly strengthens the response.</p> <p>Evidence of balance is consistent throughout the response.</p> <p>The judgments are relevant and well substantiated.</p>

Assessment criteria for Section C

Criterion A: Knowledge and conceptual understanding

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of the given concepts and relevant business management content (theories, techniques or tools, depending on the requirements of the question).

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of the given concepts is demonstrated. Business management content is not selected or the content selected is irrelevant.
2	Satisfactory understanding of one or both of the given concepts is demonstrated. Some business management content selected is relevant. The relevant content is satisfactorily explained.
3	Good understanding of one or both of the given concepts is demonstrated. The business management content selected is relevant, though it may not be sufficient. The relevant content is generally well explained, though the explanation may lack some depth or breadth.
4	Good understanding of both of the given concepts is demonstrated. The business management content selected is relevant, sufficient and well explained.

Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the given concepts and the relevant business management content (theories, techniques or tools, depending on the requirements of the question) to his or her chosen real-world organization(s). **The real-world organization(s) must not be the organization featured in the prescribed case study for paper 1.**

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The given concepts and/or any relevant business management content are connected to the real-world organization(s), but this connection is inappropriate or superficial.
2	The given concepts and/or relevant business management content are connected appropriately to the real-world organization(s), but this connection is not developed.
3	The given concepts and relevant business management content are generally well applied to explain the situation and issues of the real-world organization(s), though the explanation may lack some depth or breadth. Examples are provided.
4	The given concepts and relevant business management content are well applied to explain the situation and issues of the real-world organization(s). Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the candidate makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting reasonable evidence or other support for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

Criterion D: Structure

This criterion assesses the extent to which the candidate organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individuals and societies

This criterion assesses the extent to which the candidate is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.

Section A

1. (a) Define the term *capital expenditure*

[2]

Capital expenditure refers to **money spent to acquire assets that have a useful life greater than one year** and may be used over and over again. Such items/assets are known as fixed assets and include machinery, land, buildings, vehicles, and equipment.

N.B. no application required. Do not credit examples.

Candidates are **not** expected to word their definition **exactly** as above.

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full definition that conveys knowledge and understanding similar to the answer above. To be awarded [2] the candidates must state that capital expenditure is for long-term fixed assets.

(b) Using a discount rate of 6% (**Table 2**), calculate the net present value (NPV) of the production line for the Horizon at the beginning of 2022 **and** its first year of operating profit (show all your working).

[3]

Years	Discount rate				
	4%	6%	8%	10%	20%
1	0.9615	0.9434	0.9259	0.9091	0.8333
2	0.9246	0.8900	0.8573	0.8264	0.6944

NPV = Original cost + (Net profit before interest and tax + Depreciation) x 0.9434 + (Machinery sold x 0.9434)

NPV = -\$1 300 000 + (\$1 350 000 + 350 000 x .9434) + (\$850 000 x .9434) = \$1 105 670.

Accept **-\$1 300 + (\$1 350 + 350 x .9434) + (\$850 x .9434) = \$1105.67**

Alternative answer

Year	Net cash flow (\$000s)	Discount factor at 6%	Present value (\$000s)
0	-\$1300	1	(\$1300)
1	\$1350 + \$350 = \$1700	0.9434	\$1603.78
	\$850	0.9434	\$801.89
NPV			\$1105.67

Award [3] for correct workings and for correct answer.

Award [2] if the candidate follows the correct procedure, however, they do not include the discounted value of the equipment sold and thus have a NPV of \$303 780 (i.e. \$1603 780 - \$1300 000).

Award [1] for some understanding of NPV and/or setting up the problem correctly but producing an incorrect answer.

Award a maximum of [2] if \$ sign missing. Accept if present in either the working or final answer.

(c) Using **Table 1**, calculate:

(i) XE's actual sales revenue for the Horizon, **X**, in 2022 (no working required);

[1]

Candidates can determine **sales revenue** by adding gross profit (\$5 150k) and cost of goods sold (\$6 600k), which equals **\$11 750k**. Accept \$11 750 000.

Award [1] for the correct answer.

- (ii) the variances **A, B, C, D** and **E**, in 2022 (*no working required*). **[2]**

all figures in \$000s

	Budgeted	Actual	Variances		
Sales revenue	\$12 000	\$11 750	-\$250	or	\$250A
Cost of goods sold	\$6 500	\$6 600	-\$100		\$100A
Gross profit	\$5 500	\$5 150	-\$350		\$350A
Expenses, including \$350 depreciation	\$4 200	\$3 800	\$400		\$400F
Net profit before interest and tax	\$1 300	\$1 350	\$50		\$50F

Award [1] for correct calculations of ALL variances. The positive or negative sign can be ignored as long as the absolute value is correct. Accept OFR e.g. producing a mathematically correct answer using the sales revenue calculated from c (i)

Award [2] for correct calculations of all variances and correct indication of whether they are Adverse or Favourable, which can be done either by having positive and negative numbers or absolute differences followed by Adverse (A) or Favourable (F).

N.B. Candidates do not have to construct an entire table as above. They can merely list them as follows:

all figures in \$000s

	Variances		A or F
Sales revenue	-\$250	or	\$250A
Cost of goods sold	-\$100		\$100A
Gross profit	-\$350		\$350A
Expenses, including \$350 depreciation	\$400		\$400F
Net profit before interest and tax	\$50		\$50F

OR all figures in \$000s

- A: -\$250 or \$250A
 B: -\$100 or \$100A
 C: -\$350 or \$350A
 D: \$400 or \$400F
 E: \$50 or \$50F

all figures in \$000s

	Forecast	Outcome	Variance
Sales revenue	\$12 000	\$11 750	-\$250 or \$250A
Cost of goods sold	\$6 500	\$6 600	-\$100 or \$100A
Gross profit	\$5 500	\$5 150	-\$350 or \$350A
Expenses, including \$350 depreciation	\$4 200	\$3 800	\$400 or \$400F
Net profit before interest and tax	\$1 300	\$1 350	\$50 or \$50F

(d) Referring to your calculations in part (c), explain which variance had the greatest impact on XE's operating profit variance in 2022. **[2]**

The **greatest impact** stemmed from the **favourable variance of overheads/expenses**. **Sales revenue** was **below** the budgeted amount by **\$250k** and **cost of goods** sold had an **adverse** variance of **\$100k**. Fortunately, by keeping expenses including depreciation \$400k below budget, XE was able to offset the two adverse variances and see a favourable variance in **net profit before interest and tax of \$50k**.

*Award **[1]** for stating that expenses including depreciation were the most impactful variance (Own Figure Rule (OFR) applies) and an additional **[1]** for an explanation.*

2. (a) State **two** types of business or organization, **other than** a wholesaler, that operate in the tertiary sector. **[2]**

Types of business in the tertiary sector include:

- **Airlines;**
- **banks / financial service;**
- **cinemas;**
- **distribution;**
- **entertainment;**
- **health care / nursing;**
- **insurance;**
- **leisure and tourism;**
- **restaurants;**
- **retailing;**
- **schools;**
- **transportation.**

Accept any other appropriate answer.

N.B. no description is required.

Award [1] for each relevant type of business in the tertiary sector. Award a maximum of [2].

Award [1] only if a candidate provides two different retailers as answers such as supermarket and convenience store.

- (b) Using information in **Table 3**, calculate for **BE**:

- (i) the current ratio for 2021, **X**, in **Table 4** (*show all your working*);

[2]

Current ratio = current assets / current liabilities

Current assets = Cash + debtors + stock = \$3 000 + \$2 992 + \$6 000 = \$11 992

Current liabilities = Creditors + 180-day loan = \$1500 + \$1 200 = \$2 700

Current ratio = (\$3 000 + \$2 992 + \$6 000)/(\$1500 + \$1 200) = **4.44** (allow rounding)

Candidates may use figures as in tables (e.g. 3 000 or 3 000 000) as long as they are consistent in their usage.

N.B. Accept 4.4.

Award [1] for correct working and [1] for correct answer.

- (ii) debtor days for 2022, **Y**, in **Table 4** (*show all your working*);

[2]

Debtor days = (debtors / sales revenue) x 365

Debtor days = (\$8908/\$36 800) x 365 days = **88.35 days** (allow rounding)

Candidates may use figures as in tables (e.g. 3 000 or 3 000 000) as long as they are consistent in their usage.

N.B. Accept 88.4 or 88 days.

Award [1] for correct working and [1] for correct answer. The unit must be present in the final answer to score full marks.

(iii) the stock turnover in days for 2022, **Z**, in **Table 4** (*show all your working*). **[2]**

Stock turnover = average stock / cost of goods sold

Average stock = (opening stock + closing stock) / 2 = \$6 000 + \$9 246 / 2 = \$7 623

Stock turnover = $[(\$6\,000 + \$9\,246)/2] / \$18\,600 \times 365 \text{ days} = \mathbf{149.59 \text{ days}}$ (allow rounding)

Candidates may use figures as in tables (e.g. 3 000 or 3 000 000) as long as they are consistent in their usage.

*Award **[1]** for correct working and **[1]** for correct answer. The unit must be present in the final answer to score full mark. However, do not penalize if the missing unit has been penalized in b (ii) above.*

N.B. Accept 149.6 or 150 days.

If a candidate does not use the figure for average stock in their calculations but instead uses for stock the figure \$9246 and arrives at a turnover of 181.44 days, award **[1]**.

(c) Referring to the information in **Table 3** and **Table 4**, and your calculations in part (b), explain the change in **BE's** liquidity between 2021 and 2022. **[2]**

All numerical figures in \$000s.

Normally, when a current ratio or an acid test ratio improves (increases), the **improvement is interpreted as a good situation. In this case, the situation is the opposite.** The increase in the **current ratio** was driven by two developments: (1) **Increased purchases**, much of which did not sell, **caused stock to increase** substantially, \$6 000 to \$9 246. (2) A major **increase in debtor days**, which increased from 30 to 88 days. The combination of these two current asset accounts without a corresponding proportional increase in current liability accounts meant that the current ratio increased 4.44 to 5.46.

When liquidity is defined more narrowly as the acid test ratio the change from 2021 to 2022 was less dramatic. The significant **increase in debtor days meant that, mathematically, (cash + debtors) increased at a faster rate than current liabilities.** However, in this scenario, this “improvement” in liquidity reflects a real loss of control of receipt of payment from debtors. Telling is that **cash fell from \$3 000 to \$1 000.**

*Award **[1]** for some accurate analysis of the situation and an additional **[1]** if the candidate conveys that this “improvement” in liquidity stems from what are not good developments, increased stock turnover and debtor days. Award a maximum of **[2]**.*

Section B

3. (a) Define the term *variable costs*. [2]

Variable costs are recurring costs that **change with output or activity**. When sales or production increases, variable costs increase as well.

N.B. No application required. Do not credit examples.

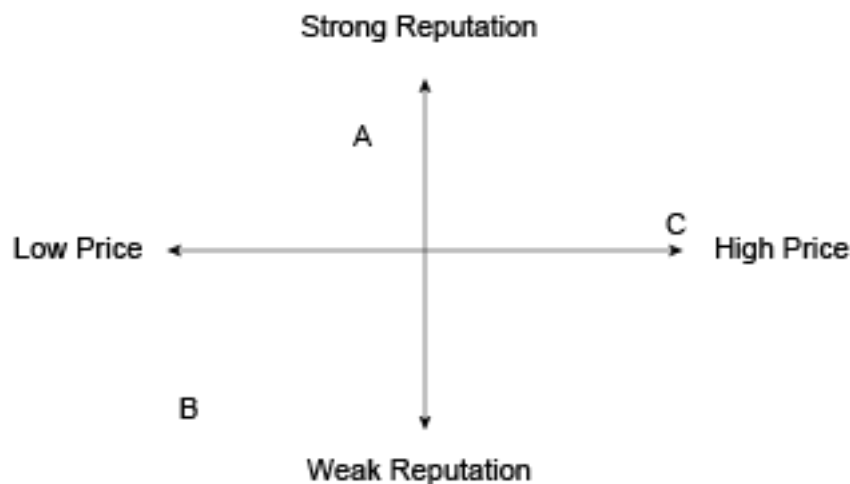
Candidates are **not** expected to word their definition **exactly** as above.

If a candidate says "variable costs are costs that vary," award [0]

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a definition that conveys full understanding. To receive [2], the candidate must specify that variable costs change with output or activity.

- (b) Using **Table 5**, construct a product position map/perception map of the three existing pet salons. [4]



N.B. if a candidate uses the word "quality," rather than "reputation," accept.

Award [1] for some understanding of a product position/perception map.

Award [2] for a correctly drawn product position/perception map with axes properly labelled.

Award [3] for a correctly drawn product position/perception map with axes properly labelled and has placed two of the three businesses in the correct place on the map.

Award [4] for a correctly drawn product position/perception map with axes properly labelled and has placed the three businesses in the correct place on the map.

N.B. The axes can be reversed (the Y axis could be price and the X axis could be reputation).

Accept salon A if placed on or near to the reputation axis as this represents midway between high and low on the price axis.

Accept abbreviations for labels so long as clear.

(c) Explain **two** problems that Anna may encounter when starting a new business. **[4]**

Common problems that new business encounters include:

- **Difficulty recruiting** suitable employees as hers is new with no track record;
- **lack of finance** - again new with no track record;
- **lack** of identity or **reputation** in the marketplace - Anna has limited resources for promotion;
- **limited** initial **customer base** (the market is very competitive);
- **owners** have many **demands** on their **time** - Anna is possibly a sole trader;
- **lack of experience** of those opening the business Anna has no managerial experience;
- **poor market research** - Annas lack of financial resources may suggest this is true.

Accept any other relevant problem that a new business may encounter.

N.B. if Anna opens as an independent business, she will **have to establish an identity in the marketplace** (which would be less of an issue if she opens as a PB franchise).

Award marks as follows:

*Mark as **2+2**.*

*Award **[1]** for identification of a common problem that a business may encounter and an additional **[1]** for an explanation and application to the stimulus. Award a maximum of **[2]**. **[2]** can not be awarded per problem if the response lacks either explanation **and / or** application.*

For example:

*For an identification or a description of a problem **with or without** application **[1]**.*

*For explanation of a problem with **no** application **[1]**.*

*For explanation of a problem **and** application **[2]**.*

*Maximum award overall: **[4]**.*

(d) Recommend whether Anna should open her pet salon as an independent business (**Option 1**) or as a PB franchise (**Option 2**). **[10]**

Both options have advantages and disadvantages.

Option 1: advantages

- **Anna** is fully her **own boss**, which appeals to her;
- Anna has **full decision control** over what she does;
- she **retains all revenue**;
- **forecasts** are **favourable**. Anna does not “need” to be a franchise.

Option 1: disadvantages

- Many **new businesses** face a range of **problems**. She will have no support from a franchiser. She will be all on her own;
- she is entering a **competitive market**;
- Anna has no managerial experience.

Option 2: advantages

- Anna will be able to **get equipment and supplies cheaper**, presumably because the franchiser enjoys purchasing **economies of scale**;
- as a **national chain**, the PB brand is **well known**;
- **PB** will **pay** for **national** and **regional promotion**;
- **franchisor** offers **support** and guidance.

Option 2: disadvantages

- Anna **wants to be her own boss**. Operating a PB franchise, she **will lose some control** over her business;
- she has to pay a one-time fee to **buy a franchise** fee and, ongoing, **5% of her revenue**;

- the **extant pet salon** franchise in the market has a **better reputation than PB**, even though its prices are comparable;
- Anna will need to pay for local promotion – although not as much as Option 1.

Accept any substantiated evaluation/judgment/recommendation.

It is expected that candidates provide a conclusion with a substantiated judgment.

Maximum Mark award	Should Anna OPT FOR 1 OR 2	Judgments/conclusion
1-2	Minimal attempt. Does not really understand the demands of the question. No application, theoretical answer	
3	One argument for or one argument against one option. Limited use of stimulus	n/a
4	One argument for and one argument against for one option Or, two or more arguments for one side of argument and none for the other Some use of stimulus	n/a
5	A balanced argument for one option (at least one argument for and one against) and an unbalanced argument for the other option (at least one argument for or against) Some use of stimulus	n/a
6	Balanced arguments (at least one argument for and one against) for both options. Good use of stimulus	No judgments/conclusions
7–8	Balanced arguments (at least one argument for and one against) for both options <i>plus</i> a conclusion that is more than nominal – actually flows out of the analysis. Largely effective use of business language and the stimulus	Judgments/conclusions based upon analysis and explanation in the body of the response
9–10	Balanced arguments (at least one argument for and one against) for both options <i>plus</i> a conclusion that is more than nominal – actually flows out of the analysis. Rich use of business language, business theory and the stimulus	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis.

Use the above table and mark according to the markbands found on page 3.

4. (a) Define the term *objective*. [2]

Objectives are the long, **medium** and **short term** targets/**goals** that can give a **sense of direction** to managers, departments, or the whole organization. Objectives form the basis for the decisions made on strategy.

N.B. No application required. Do not credit examples.

Candidates are **not** expected to word their definition **exactly** as above.

Award [1] for a basic definition that conveys partial knowledge and understanding similar to the above answer.

Award [2] for a full, clear definition that conveys knowledge and understanding similar to the answer above.- For the 2nd mark, some mention that objectives are time-specific/measurable, or inform decision making, or form the basis for mission or vision statements – do not reward if a candidate specifies only a single time period e.g short-term.

(b) With reference to VS, explain **two** elements of organizational culture. [4]

Organizational culture are the **shared values, attitudes** and **beliefs of the people working** in an **organization** that **control the way** they **interact** with each other and external stakeholder groups.

Aspects of the culture can be gained through the following:

- **Mission and vision statements:** these help to position the business in terms of the overall aims. For VS, the **vegan philosophy** is key, hence as the majority of staff are vegan this impacts organizational culture in a major way
- the **record of senior staff: Michael** is **central to the way VS operates**. It was his vision to establish VS and to promote veganism through it;
- **VS's ethical code of conduct:** nothing in the text but the implied notion of vegan lifestyles would suggest a **positive ethical stance**;
- **strategies on social and environmental issues:** this will set the tone for how the business is perceived and judged in terms of their impact on social and environmental issues;
- the **example set by senior managers:** this includes **how they treat the staff**; how they **take decisions**, etc.;
- the **industry that the business operates** in: VS is a **vegan food supplier**, and this influences the culture that operates within VS.
- the use of quality control method by VS might suggest a more traditional organizational structure i.e top down hierarchy, although there is no evidence to support this.

Accept any other relevant element/explanation.

Mark as 2+2

Award [1] for each element identified and an additional [1] for development with application to VS. Award a maximum of [2] per element.

[2] can not be awarded per element if the response lacks either explanation **and/or** application. For example:

For an identification or a description of an element **with or without** application [1].

For explanation of an element with **no** application [1].

For explanation of an element **and** application [2].

Maximum award overall: [4].

(c) Explain **one** advantage **and one** disadvantage for VS of using below-the-line promotion. **[4]**

Below-the-line promotion is promotion that is **not a directly paid-for means of communication** but **based on short term incentives to purchase** e.g. sales promotion techniques.

Advantages could include:

- VS can **work directly with** their **customers and suppliers** to ensure that products are required and are sold in the best way;
- **communication is direct** and **highly targeted** most probably by word of mouth as evidenced by use of trade exhibitions;
- they can **build** customer **loyalty** more easily---VS has built a strong customer base with targeted communication;
- it is **easier** to **monitor spending** and to evaluate the **effectiveness of the promotion**;
- vegan supplies are likely a small market where Michael knows all the relevant players and can better deal directly.

Disadvantages could include:

- it may be more **difficult to reach new customers**—highly targeted promotion may not enhance their overall desire to increase sales;
- Michael needs to **ensure** that **he understands his customers** really well;
- the approach **may not be effective** if he is trying to expand his market;
- customers **may not like** the need to **communicate on a one-to-one basis**;
- whilst **customers** may like the products sold by VS, they **may not like dealing with Michael** and/or his team;
- it can be **time-consuming** to come up with a targeted more personalized approach.

Accept any other relevant advantage or disadvantage.

Mark as 2+2

*Award **[1]** for **one** appropriate advantage and an additional **[1]** for a development with respect to VS. Award a maximum of **[2]**.*

*Award **[1]** for **one** appropriate disadvantage identified and an additional **[1]** for a development with respect to VS. Award a maximum of **[2]**.*

[2] cannot be awarded per advantage/disadvantage if the response lacks either explanation **and / or** application.

For example:

*For an identification or a description of an advantage/disadvantage **with or without** application **[1]**.*

*For explanation of an advantage/disadvantage with **no** application **[1]**.*

*For explanation of an advantage/disadvantage **and** application **[2]**.*

*Maximum award overall: **[4]**.*

- (d) Recommend whether Michael should move from a system of quality control to a system of quality assurance. **[10]**

Michael has two options listed in the question.

Continue to use a system of quality control (Option 1)

Quality control is a **system** where **products are sampled as they are completed** to ensure that agreed **standards** have been reached. It assumes that workers are not able to monitor quality themselves and **need staff at the end** of the production line **checking products**.

Advantages

- **Quality** is in the hands of **experts**—VS employ staff whose role is mostly or fully to check production;
- **patterns of inconsistent** production can be spotted—**common ‘mistakes’** in production can be spotted;
- **defective products are spotted**—the checking ensures that defective output discovered can be removed from sale. VS’s production staff are not always in control of their own output, including the quality of the finished product.

Disadvantages

- ‘Big Brother’—**checking for defective products can be a negative way of monitoring performance**. The inspection team is rewarded to ‘catch out’ the performance of others;
- the **workforce** can become **sloppy**—the workers of VS could start **relying on the inspection team** to find the faulty output;
- **not every product is checked**—the **sampling** process does not check every product.

Change to a system of quality assurance (Option 2)

Quality assurance involves **instilling quality** throughout the organization **as part of the production process**. Quality assurance places an **emphasis on customer requirements**. **Workers** are required to **self-check** every aspect of what they contribute to the production process. Aspects of **lean production (kaizen, TQM, etc.)** would be incorporated into the **production process** at VS.

Advantages

- **Workers take more care**—giving the workforce a greater responsibility would **encourage them to improve**;
- **increased motivation of the workers**—this is a process of **job enrichment** that can improve overall motivation. VS’s workers may respond in a positive way to the extra responsibility;
- **reduced costs**—inspection staff do not need to be employed reducing overall costs. This will save VS money which can be reallocated to other areas of their operation;
- VS’s workers are **best placed to improve quality**—the workforce directly involved in production are in the best position to improve quality.

Disadvantages

- The **workforce may reject it**—giving staff additional responsibilities may be unpopular. They may not want to have more to do;
- **increased demands on the workforce**—this role may increase the **stress on the workers** leading to **demotivation**. VS’s staff may not want to do anything other than their ‘usual’ job
- **increased initial cost**—transferring to quality assurance can be **costly and disruptive** due to training and implementation;
- **Some products may not need it**—in some markets and for some products there may be no need to have a complicated system.

Evaluation:

Michael will need to assess whether the change to quality assurance is worth the expense and disruption. There are **cost implications** and the **staff** will need to be **accepting of the change**. The wider issue of change management is key. **Staff who share the vision of Michael** are likely to **adapt** and respond to changes that he proposes.

He will need to **balance the disruption** with any possible benefits from being able to **improve quality**. VS is shown as a **high-quality producer** which might mean that they are doing what they need to already. Michael may have the view that quality could be improved still further. The added impact of **improving staff motivation** and further enhancing the ethos and culture of veganism may appeal strongly to Michael. The switch may not work for both aspects of VS's business. i.e., it may work for the wholesale aspect but not the production aspect.

It is expected that candidates provide a conclusion with a substantiated judgment.

Accept any substantiated evaluation/judgment/recommendation.

Marks should be allocated according to the markbands on page 3 with further guidance below.

For one relevant issue that is one-sided, award up to [3].

For more than one relevant issue that is one-sided, award up to a maximum of [4].

If a candidate evaluates only one option, award a maximum of [5].

A balanced response is one that provides at least one argument for and one argument against each option.

Candidates may contrast one option with another for a balance as long as at least two arguments are given for each option.

Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.

Candidates cannot reach the [7–8] markband if they give judgment/conclusions that are not based on analysis/explanation already given in their answer.

Candidates cannot reach the top marks if there is no relevant reference/application to the stimulus.

5. (a) Define the term *intrapreneur*. [2]

Being an **intrapreneur** is the act of **being an entrepreneur while working for a major corporation**. The intrapreneur is **innovative, independent, proactive** and **generates new ideas** for the organization.

N.B. No application required. Do not credit examples.

Candidates are **not** expected to word their definition **exactly** as above.

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full, clear definition that conveys understanding similar to the answer above.

N.B. the use of the word *entrepreneur* is not mandatory but incorporating any of the features listed while working for an employer are mandatory for [2]. Do not accept risk-taking since it is not his/her risk it is the organization that takes the risk.

(b) With reference to UWG, explain **two** reasons why Ali's crisis management response may have been effective. [4]

Crisis management refers to the **response of a business to a crisis situation**. It is how an organization or individual (Ali) **reacts to a crisis which has already happened** and could cause harm to the business. It is almost impossible to plan for a crisis situation and, as such, the management of the issue is **reactive**.

Key reasons why it may have been effective:

Transparency/Accountability - Ali immediately **reported the incident** and did not try to cover it up. He admitted it had happened and this may be **better for the long-term reputation** of UWG.

Communication - Ali **used social media** to try to contain the crisis and try to reassure all key stakeholders he was taking action. This could then be widely shared and would get UWG's message out to the public.

Speed - The speed of UWG's **response could help to contain the situation**. This could help UWG to control the message and stop false information being shared.

Control - Ali **took control of the situation** and did not leave it to a lower manager. He would be able to release funds to help with compensation. Ali **leading the crisis management** shows how important UWG was taking the concerns.

N.B. responses are not required to use the exact highlighted headings as above but can convey the general meaning.

Accept any other relevant reason that indicates the result of some action taken by Ali or UWG.

Mark as 2+2

Award [1] for **one** appropriate reason and an additional of [1] for a development with respect to UWG. Award a maximum of [2]

[2] can not be awarded per reason if the response lacks either explanation **and / or** application.

For example:

For an identification or a description of a reason **with or without** application [1].

For explanation of a reason with **no** application [1].

For explanation of a reason **and** application [2].

Maximum award overall: [4].

(c) Explain **one** advantage **and one** disadvantage for *UWG* of using social media marketing. **[4]**

Social media marketing refers to **gaining interest in your business** through the **use of social media** websites.

Advantages include:

- they are able to **communicate quickly** with their customers such as when **Ali** released the **video**;
- the **customers feel part of the business** when they can strike up potential **friendships with PTs** and other customers;
- it is **cheaper than above-the-line promotion**. This could help *UWG* to keep their prices competitive;
- **Disadvantages** include:
- they can **lose control of the message**. *UWG* has little control over **what people post** on social media regarding the company. This has happened with the reaction to the accident;
- **social media posted responses could harm the reputation** of the company and may affect membership numbers.

Mark as 2+2

*Award [1] for **one** appropriate advantage and an additional [1] for a development with respect to *UWG*. Award a maximum of [2].*

*Award [1] for **one** appropriate disadvantage identified and an additional [1] for a development with respect to *UWG*. Award a maximum of [2].*

*[2] can not be awarded per advantage/disadvantage if the response lacks either explanation **and** / or application.*

For example:

*For an identification or a description of an advantage/disadvantage **with or without** application [1].*

*For explanation of an advantage/disadvantage with **no** application [1].*

*For explanation of an advantage/disadvantage **and** application [2].*

Maximum award overall: [4].

(d) Evaluate **two** industrial/employee relations methods that *UWG* could use to get the PTs to accept a new contract. **[10]**

Potential industrial/employee relations methods *UWG* can use include:

Collective bargaining

In this case, *UWG*'s management and employee **representatives** would **try to reach an agreement through negotiation**. This may mean *UWG* has to **increase the wages of the PTs** which could **affect** their ability to **offer competitive pricing**.

Collective bargaining could mean *UWG* is able to **retain the services of the majority of the PTs**. This could be important as the **PTs are popular with the members** and seem to **enhance** their **membership experience**. *UWG* needs to be wary of seeming not to value its PTs in the eyes of its membership. *UWG* has also found it **difficult to recruit well qualified PTs**, it is maybe in their best interest to find a solution to the issue that satisfies both parties.

Threats of redundancies

This is a more serious threat by *UWG* where they would pressure or intimidate the PTs to accept the new contract. **If they do not accept the new contract then they would be made redundant**. Once again *UWG* needs to be wary of seeming not to value its PTs in the eyes of its membership if it drives a hard bargain with the new contract.

UWG would need to **check** all their actions were legal within **employment law**. It might not be as simple as to force the PTs to sign a new contract. A worry for UWG is that PTs actually take up their offer of redundancy meaning UWG is left having to **recruit** a lot of new employees, this has already proved **difficult**. It is **also expensive** to conduct a **large-scale recruitment** process, can UWG afford this? If most of the members are sympathetic to the PTs then this could seriously **damage UWG's reputation**. Are their members brand loyal or will they look for another gym? Alternatively, this threat **could cause the PTs to drop their complaints and sign the new contract**. This would mean UWG could continue operating as normal.

Closure

This would mean UWG **close the gyms which do not have enough employees to operate**. This means all employees from these gyms would receive no wages at all. This would pressurize the 30% of PTs who are taking strike action to re-consider and perhaps sign the new contract. Obviously, this would upset members of these gyms and this could seriously **harm UWG's reputation**.

The threat of closure is effectively UWG employing a **divide and rule strategy**, which whilst possibly successful in the short term could further sow seeds of discontent among the workforce for the future.

Evaluation

It is in UWG's interest to try to **stop the strike action** and **open all their gyms as soon as possible**. This may mean they have to **negotiate with the PTs and try to come to an agreement**.

N.B. there is a fine distinction between **Industrial relations** and **Conflict resolution**. Since the aim of UWG is to resolve the impending strike action reward conflict resolution methods such as Arbitration / Conciliation if presented.

*It is not expected that the candidate incorporates all of the above arguments.
Accept any other relevant industrial/employee relations method and any other relevant discussion.
A conclusion with judgment is expected.*

Marks should be allocated according to the markbands on page 3 with further guidance below.

For one relevant issue that is one-sided, award up to [3].

For more than one relevant issue that is one-sided, award up to a maximum of [4].

If a candidate evaluates only one option, award a maximum of [5].

A balanced response is one that covers at least one issue for and at least one argument against each option.

Candidates may contrast one option with another for a balance as long as at least two arguments are given for each option.

Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.

Candidates cannot reach the [7–8] markband if they give judgment/conclusions that are not based on analysis/explanation already given in their answer.

It is expected that the candidate goes beyond just providing some relevant arguments for or against any suggested strategy and finish off with some conclusions and judgment.

Candidates cannot reach the top marks if there is no relevant reference/application to the stimulus.

Section C

6. With reference to an organization of your choice, examine the impact of **globalization** on operations management **strategy**. [20]
7. With reference to an organization of your choice, examine the impact of **culture** on **ethics**. [20]
8. With reference to an organization of your choice, examine the impact of **innovation** on **change** in human resource management. [20]

Questions 6–8. Please mark the candidate response using the assessment criteria on pages 4 and 5.

N.B. Although the question asks for the application of one concept on another, it is still expected that Business Management content will be aligned with the concepts especially the second concept (the one being acted on).

Please note that candidates can conclude that there was a minimal impact, however it has to be based on balanced arguments and evaluation.

Additional guidance in relation to the assessment criteria

For each criterion, the aim is to find the descriptor that conveys most accurately the level attained by the candidate, using the best-fit model. It is not necessary for every single aspect of a level descriptor to be met for that mark to be awarded.

- The highest level descriptors do not imply faultless performance and should be achievable by a candidate.
- A candidate who attains a high level of achievement for one criterion will not necessarily reach high levels of achievement for the other criteria and vice versa.

If only **one** concept is addressed:

- Criteria A, B, C and E: award up to a maximum [3].
- Criterion D: full marks can be awarded.

Where the question asks for impacts of **two concepts on content**, examiners must allow for unbalanced treatment of the two concepts throughout a candidate's response. One concept may be more significant than the other.

Criterion B

For [2]: "...connection is not developed" should be treated the same as superficial.

Criterion C

1 + 1 arguments are expected per concepts.

Questions 6, 7 and 8 require consideration of the impact / influence of one concept and a second concept – therefore accept **1 + 1** arguments for each concept for a balanced response.

- Justification is through logic or data.
- For [2] there is no balance as there are no counter arguments at all, or the arguments are all one-sided then this would be unjustified.
- For [3] there are some balanced arguments – some of which are justified.

Criterion D

- Introductions need to be concise and related to the question.
- The candidate's response does not have explicit headings for each structural element.
- A body is the area in which the substance of arguments occurs. It is usually located between the introduction and the conclusion.

- *Fit-for-purpose paragraph means that ideas are presented in a clear academic way. For example, one idea per paragraph.*

Criterion E

- *One example of an “individual” could be an individual consumer or an individual manager. However, this cannot be considered with a “group” of consumers or a management team.*
- *For [4], a balanced response: look at the perspectives of both individual and group(s).*
- *The chosen individual, group needs to be applicable and relevant to the question with specific explanation.*
- *Candidates need to go beyond stating the stakeholder.*
- *Please do not use the adjective ‘inappropriate’ in the descriptor for [2]. If inappropriate award [1].*

Candidates need not explicitly say “stakeholder”.

In section C, the question rubric explicitly states that “organizations featured in sections A and B and in the paper 1 case study may not be used as a basis” to candidate’s answers to questions 6, 7 and 8. When this happens please award marks as follows:

Criterion A: award a maximum of [1]. The business management content cannot be relevant if the organization is fictitious.

Criterion B: 0 marks – there is no connection to a “real-world organization”

Criterion C: award a maximum of [1]. The arguments cannot be relevant if the organization is fictitious.

Criterion D: mark as normal.

Criterion E: award up to a maximum of [1]. The individual and/or group perspective(s) cannot be relevant if the organization is fictitious.
