

# Markscheme

**May 2024**

**Business management**

**Higher level**

**Paper 2**

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The markbands 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 descriptor.
1–2	<ul style="list-style-type: none"> <li>• Little understanding of the demands of the question.</li> <li>• Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately.</li> <li>• Little or no reference to the stimulus material.</li> <li>• No arguments are made.</li> </ul>
3–4	<ul style="list-style-type: none"> <li>• Some understanding of the demands of the question.</li> <li>• Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance.</li> <li>• Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization.</li> <li>• Any arguments made are mostly unsubstantiated.</li> </ul>
5–6	<ul style="list-style-type: none"> <li>• The response indicates an understanding of the demands of the question, but these demands are only partially addressed.</li> <li>• Some relevant and accurate use of business management tools and theories.</li> <li>• Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument.</li> <li>• Arguments are substantiated but are mostly one-sided.</li> </ul>
7–8	<ul style="list-style-type: none"> <li>• Mostly addresses the demands of the question.</li> <li>• Mostly relevant and accurate use of business management tools and theories.</li> <li>• Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places.</li> <li>• Arguments are substantiated and have some balance.</li> </ul>
9–10	<ul style="list-style-type: none"> <li>• Clear focus on addressing the demands of the question.</li> <li>• Relevant and accurate use of business management tools and theories.</li> <li>• Relevant information from the stimulus material is integrated effectively to support the argument.</li> <li>• Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.</li> </ul>

## Section A

1. (a) State **two** types of intangible assets. [2]

Types of intangible assets include:

- copyrights
- goodwill
- licenses
- patents
- software
- brand value, brand/public image
- internet domain names
- trademarks, logos, brand names
- franchises, broadcasting rights
- lists of regular and reliable customers

*Each bullet point counts as one intangible asset. Accept any other relevant intangible assets.*

*Award [1] for each type of intangible asset stated up to a maximum of [2].*

- (b) (i) Calculate KA's profit **before** interest and tax for the year ended 31 December 2023 (*show all your working*). [2]

$\$248\,000\,000$  [sales revenue] –  $\$42\,000\,000$  [cost of sales] –  $\$183\,000\,000$  [expenses] =  
profit before interest and taxes =  $\$23\,000\,000$

*Award [1] for working and [1] for the correct answer with \$ sign, up to a maximum of [2].  
Allow OFR. BOD if other signs e.g £ or € used in error.*

*Award a maximum of [1] if \$ sign/millions, or both is omitted and there is correct working.  
Accept if sign/millions is present in either the working or final answer.*

**N.B do not penalize more than once for sign omission in any one question part (b)(i), (b)(ii), (c).**

- (ii) Using your answer to part (b)(i), calculate KA's profit margin for the year ended 31 December 2023 (*show all your working*). [2]

Profit margin = profit before interest and taxes/sales revenue  
 $\$23\,000\,000 / \$248\,000\,000 =$  profit margin = 9.27%

*Award [1] for working and [1] for the correct answer with % sign, up to a maximum of [2].*

*Accept 9.27% or 9.3%. Award a maximum of [1] if % sign is omitted. Accept if sign is present in either the working or final answer.*

*Allow own figure rule (OFR) if profit before interest and tax is miscalculated in part (b)(i).*

- (c) In 2024, KA will purchase 20 company cars for \$50 000 each, and each car will have a residual value of \$5000. KA will depreciate the cars over a five-year period.

Using straight-line depreciation, calculate KA's total annual depreciation expense for the 20 company cars (*show all your working*). [2]

$$\begin{aligned}
 &20 \text{ cars} \times \$50\,000 = \$1\,000\,000 \\
 &(\text{residual value of } \$5\,000 \times 20) = \$100\,000. \\
 &\underline{\$1\,000\,000 - \$100\,000} = \underline{\$900\,000} = \$180\,000 \\
 &\qquad\qquad\qquad 5 \text{ years} \qquad\qquad\qquad 5 \text{ years}
 \end{aligned}$$

Annual depreciation expense for the 20 new cars is \$180 000

An alternative method for calculation is as follows:

$$\begin{aligned}
 &(\$50\,000 - \$5000 [\text{residual value}]) / 5 = \$9\,000 \\
 &\$9\,000 \times 20 \text{ cars} = \$180\,000
 \end{aligned}$$

*Award [1] for working and [1] for the correct answer with \$ sign, up to a maximum of [2]. BOD if other signs e.g £ or € etc. used in error. Accept if sign is present in either the working or final answer.*

*If a candidate only calculates annual depreciation for one car, with working similar to the above, award a maximum of [1].*

- (d) Explain **one** disadvantage for KA of using a straight-line depreciation method for the 20 company cars. [2]

A straight-line depreciation (SLD) method is less accurate than other depreciation methods based on production efficiency, such as units of production method. SLD does not account for the loss of efficiency or the increase in repair expenses over the years and is, therefore, not as suitable for costly assets such as cars or machinery.

If KA uses a straight-line method, the impact on balance sheet, income statements and taxes will be even through time. However, cars are assets that tend to experience accelerated obsolescence in the first years. KA could use an alternative method, allowing for a higher amount of depreciation first, to pay less taxes in the early years.

Other disadvantage may include:

- The useful life of the assets or the residual value may not be accurately estimated.
- It assumes depreciation takes place in a linear manner.

*Award [1] for a generic disadvantage of a straight-line depreciation method and an additional [1] for explanation and application to KA. Do not accept answers that simply state the method is inaccurate without any correct reference or context related to other systems of depreciation.*

2. (a) State **one** advantage **and one** disadvantage of flow production. [2]

Advantages of flow production include:

- **Economies of scale**, as unit costs will be low with larger quantities produced.
- Unit costs more likely to fall than prices go up so if anything, margins will be higher.
- Automation **saves time** and **reduces costs**, as fewer workers are needed.
- **Less qualified labour is required**, so it is easier to find and cheaper.
- It is relatively easier to increase output when demand rises than with other systems.

Disadvantages include:

- Due to standardization and high production levels of identical products, there is **little or no flexibility**.
- An **efficient stock control system is required** to avoid expensive stockpiling.
- **High startup costs** in machinery and production systems as it is capital intensive.
- If a problem arises anywhere along the assembly line, **all production can come to a halt**.
- **Can demotivate workers** as tasks are monotonous.

*Accept any other relevant advantage/disadvantage.*

*No application of context is required.*

*Award [1] for a relevant advantage/disadvantage stated, up to a maximum of [2].*

- (b) Referring to **Figure 1**, state:

- (i) NOP's lead time (*no working required*); [1]

The lead time is the length of time it takes the stock to arrive after it has been ordered  
= 1 week

*Award [1] for the correct answer.*

- (ii) NOP's reorder quantity (*no working required*). [1]

The reorder quantity is the number of units of the order. In this case, it is 40 000 units  
(maximum stock level – buffer stock level) or 50 000 units – 10 000 units = 40 000 units.

*Award [1] for the correct answer. Accept "40 000" without "units".*

- (c) Using information from **Table 2**, calculate:

- (i) the stock turnover (number of times) ratio (*show all your working*); [2]

Average stock = (opening stock + closing stock) / 2

Average stock = (\$1.5 m + \$2.5 m) / 2

Average stock = \$4 m / 2

Average stock = \$2 m

Stock turnover (number of times) ratio = cost of sales / average stock

Stock turnover (number of times) ratio = \$8 m / \$2 m

Stock turnover (number of times) ratio = 4 times

*Award [1] for the correct working and [1] for the correct answer. Award up to a maximum of [2].*

*Award [1] for the correct answer without working.*

Award a maximum of **[1]** for the correct average stock but stock turnover is incorrect OR has not been calculated OR the unit “times” is missing.

Do not accept “8 / 2” or “8:2” as the final answer.

**N.B do not penalize more than once for sign/unit omission in any one question part (b)(i), (b)(ii), (c)(i), (c)(ii).**

- (ii) the closing stock *NOP* should have in order to increase its stock turnover (number of times) ratio by 100% (*show all your working*). [2]

To increase their stock turnover ratio by 100%:

Stock turnover is 4 times, then 100% increase = 8 times.

The average stock must be: cost of sales / stock turnover = 8 / 8 equals \$1 m.

To have an average stock of \$1 m:

New average stock = (opening stock + closing stock) / 2

(\$1.5m + X) / 2 = \$1 m

X = \$0.5m. Then the new closing stock is \$0.5 m

Award **[1]** for the correct working and **[1]** for the correct answer with “\$” sign. Award up to a maximum of **[2]**. Allow OFR. BOD if other signs e.g £ or € etc. used in error. Accept if sign is present in either the working or final answer.

- (d) Explain **one disadvantage** for *NOP* of implementing just-in-time (JIT) production. [2]

Possible disadvantages include:

- JIT requires reliable suppliers. The lack of infrastructure, such as limited public transport and traffic congestions in the capital city, may affect the provision of regular supplies.
- *NOP* may find it difficult to respond to unexpected changes in demand (context: economic instability) if it implements JIT.
- *NOP* may not enjoy economies of scale due to the small order size.

Accept any other relevant disadvantage.

Award **[1]** for a relevant disadvantage, with an additional **[1]** for application to *NOP*. Award up to a maximum of **[2]**.

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

A patent is a legal right granted by an authorized government agency to a person or organization allowing the patent holder to exclude others from making, using, or selling products reliant on the patent holder’s innovation. A form of intellectual property, a patent expires after a period of time.

*Candidates are not expected to use the **exact** wording above.*

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

*Award [2] for a full definition that conveys knowledge and understanding that the patent (1) excludes others from using the innovation **and** (2) lasts for a period of time (candidates do not need to specify the number of years).*

**N.B.** Do not reward examples, nor answers which define either trademarks – protection of logos, slogans OR copyright – works of authorship or art.

- (b) Calculate:

- (i) SVC’s break-even level of output for 2025 (*show all your working*); [2]

Fixed costs:  $\$144\,000 + \$27\,000 + \$273\,000 + \$196\,000 + \$60\,000 = \$700\,000$

Contribution per unit: Sales price – total variable costs per unit  
 $\$50 - (\$17.5 + \$2.5 + \$5) = \$25$

Break-even quantity:  $\$700\,000 / \$25 = 28\,000$  units / vacuum cleaners

*Award [1] for correct working and [1] for the correct answer with unit. Award up to a maximum of [2]. Accept if unit is present in either the working or final answer.*

*Award [1] if the candidate makes a mathematical error (thus the answer is incorrect) OR if the candidate has the correct answer but does not show working.*

**N.B do not penalize more than once for unit omission in any one question part (b)(i), (b)(ii), (b)(iii).**

- (ii) the number of vacuum cleaners SVC needs to sell at a price of \$50 to make a target profit of \$25 000 (*show all your working*); [2]

Target profit output = (fixed costs + target profit) / contribution per unit.  
 $(700\,000 + 25\,000) / 25 = 29\,000$  units / vacuum cleaners.

**OR**

Break-even quantity is currently 28 000 units. To make a profit of \$25 000, SVC must sell  $\$25\,000 / \$25$  units above the current break-even point. Thus, the number of units SVC must sell to make \$25 000 is:

$28\,000 + (\$25\,000 / \$25) = 28\,000 + 1000 = 29\,000$  units / vacuum cleaners.

*Award [1] for correct working and [1] for the correct answer with unit. Award up to a maximum of [2]. Allow OFR. Accept if unit is present in either the working or final answer.*

*Award [1] if the candidate makes a mathematical error (thus the answer is incorrect) OR if the candidate has the correct answer but does not show working.*

- (iii) SVC's break-even quantity if it increases its selling price by 20% (*show all your working*).  
[2]

New price:  $\$50 \times 1.2 = \$60$

New contribution:  $\$60 - \$25 = \$35$

New break-even quantity:  $\$700\,000 / \$35 = 20\,000$  units / vacuum cleaners

*Award [1] for correct working and [1] for the correct answer with units. Award up to a maximum of [2]. Allow OFR. Accept if units is present in either the working or final answer.*

*Award [1] if the candidate makes a mathematical error (thus the answer is incorrect) **OR** if the candidate has the correct answer but does not show working.*

- (c) Despite the greater power of SVC vacuum cleaners, the price elasticity of demand is  $-2$ .

Referring to price elasticity of demand, explain **one** impact on SVC's sales revenue if it increases the selling price of each vacuum cleaner by 20%. [2]

*Award [1] if the candidate writes that a price elasticity of  $-2$  is price elastic **or** if they write that the percentage change in quantity demanded exceeds the percentage change in price. Award an additional [1] if the candidate states that demand will fall by 40% so total revenue should fall. Award up to a maximum of [2].*

*If the candidate merely states that total revenue will fall with no explanation, award [0].*

## Section B

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

A target market is a specific group of people with shared characteristics that a business wants to sell its products or services to.

*Award [1] for partial understanding which may include some reference to a group of people with **shared/common characteristics/needs/wants**. Award a maximum of [2] if the candidate **also** makes reference to the fact that it's a group which the business **wants to aim to sell its products or services**.*

*Do not reward candidates that use “target its products and services” as this is a tautology. Do not reward the term “market segment” in isolation as this is a case of using one undefined term to define another undefined term.*

- (b) Explain **one** advantage **and one** disadvantage for AV of recruiting pilots externally. [4]

External recruitment refers to a business seeking to fill a position with someone who does not work within the company.

Advantages include:

- **More candidates to select from.** AV can explore a much larger pool of candidates and increase the chances of finding qualified experienced pilots. AV employs a total of 50 pilots, of which only 30 are first officers that could be trained and promoted as captains.
- **Finding pilot trainers** Several captain pilots are resigning. AV's training of first officers could be jeopardized. Searching outside the organization can allow AV to find pilots who are already experienced in flying to dangerous areas who could also provide training to first officers.
- **Fresh ideas and fresher work environment.** New applicants can bring in ideas and strategies from their previous experience that can help improve AV's practices. AV's pilots are now in a conflicted labour relationship with AV. Some captains are unhappy as salaries are low and training is not well paid. New recruits could bring some fresh perspectives and feel to AV's work environment.
- As an airline **AV can concentrate on achieving its core goals** rather than being engaged in a lengthy recruitment exercise.

Disadvantages include:

- **External recruitment could be more costly** as AV will pay an agency to manage the process. If recruitment was done internally, AV would probably manage the process “at home”, which seems to be less costly.
- **Six months seems too long** considering captain pilots' resignations and AV's current conflict with the pilots' union. Internal recruitment will probably be faster, as AV already has first officers that would be interested in those vacancies.
- **Effects on employee morale/conflict.** Some of AV's first officers are expressing strong interest in applying for those vacancies. If AV recruits pilots externally, it may affect the already eroded pilots' morale at AV. The union is already in conflict with AV. The outside hire can feel like a threat to AV's pilots and the union, which in turn could lead to an escalation of conflict. New outside pilots would have to be trained in AV's business processes. Despite the advantages mentioned above it may be difficult to find “experienced” pilots willing to accept low pay, unsafe aircraft and industrial conflict.

*Accept any other relevant response.*

**Mark as 2+2.**

*Award [1] for a relevant advantage/disadvantage, with an additional [1] for application to AV. Award up to a maximum of [2].*

- (c) Explain **one** advantage **and one** disadvantage for AV of creating a customer loyalty programme. [4]

Advantages include:

- Customer retention. The primary motive behind a loyalty programme is to retain customers by rewarding them for their repeat purchase behavior. AV's customer satisfaction and brand loyalty seems to be strong, AV should be interested in retaining customers due to the potential threat of new competitive entrants in the low-cost airline market in South America.
- Relevant customer data and trends could be obtained and recorded. AV makes little use of customer information, and the customer database is very poor. By developing a loyalty programme, AV can get valuable consumer data to be used for marketing purposes, promotions, new services, etc.

**N.B.** do not accept that loyalty cards produce/create brand loyal customers – AV already has this, however, accept **increased customer satisfaction** or **increase brand loyalty** if accompanied by an explanation as why.

Do not accept the word competitors as application unless accompanied by the word “new” or “with loyalty programmes”.

Disadvantages include:

- Market Saturation. Loyalty programmes are everywhere. They usually have similar benefits. AV is already late, new low-cost entrants in the South American market have already developed successful rewards programmes and promotions.
- Increasing costs. AV does not have the human resources to develop the programme. They will need to hire an agency or expert staff in data mining to design the programme and analyze customer data trends.
- **Given loyalty and satisfaction** are already good. Is the cost versus benefits worthwhile?
- **Having a poorly run loyalty programme** (lack of staff and investment) could have more negative effects than having none at all.
- Opportunity cost of alternate methods of attracting/retaining customers.

Accept any other relevant response.

**Mark as 2+2.**

Award **[1]** for a relevant advantage/disadvantage, with an additional **[1]** for application to AV. Award up to a maximum of **[2]**.

(d) Using **Table 5, Figure 2, and** other information in the stimulus, examine whether *AV* should accept *FL*'s joint venture proposal. [10]

- A joint venture *with FL* could be considered a **growth and defensive strategy** for *AV*. *AV* will gain on a **larger market share** and **economies of scale** to face the increasing competition of new entrants in the market. Table 5 suggests that both airlines could reach together a 23% market share.
- If mergers and acquisitions are taking place in the industry, *AV* should also think about survival. A joint venture with *FL* could be strategic to remain competitive in the industry.
- *AV* could benefit from **synergies**. *FL* has numerous departments, such as marketing and IT, with qualified staff; *AV* could develop its new loyalty programme at lower costs. *FL* has pilots that could be trained. *AV* could have a larger pool of pilots to fly to dangerous secluded areas. In addition, *AV* could benefit from *FL*'s modern aircraft fleet.
- **Financially**, *AV*'s profit margins (PMs) for 2022 and 2023 are both negative and below the industry averages. With aircraft repair costs increasing from 7% in 2022 to 9% in 2023, *AV*'s PM are falling. In an increasingly competitive market a joint venture with *FL*, larger profitable company seems to be an option to consider to return to profitability.
- Financially, *FL*'s gearing suggests that they are lowly geared. This could be advantageous to *AV* as they potentially could have more access to sources of debt finance than a small company like *AV*. With low gearing *FL* is less exposed to economic downturns or increasing interest rates. A joint venture with a lowly geared company could be low risk for *AV*.

However:

The two airlines deal with customer service and operations in different ways. *AV* has a strong brand image and loyalty, and it has been named the customers' favourite airline for five years. *FL*'s customer satisfaction is low. *FL* does not deal with customer complaints, and flight delays and cancellations are usual. *AV*'s brand image could be damaged.

Managerial and cultural differences between both airlines could jeopardize the joint venture's success. If this happens, *AV* could possibly disappear as a company.

This is exemplified by the fact that *FL* is an international airline running most likely predominantly long-haul flights versus *AS* running shorter haul flights. These are very different markets with specific profitability and operational factors.

**Financially**, *FL*'s gearing ratio is higher than the market average. Therefore, there could be a marginal risk for *AV* in partnering with *FL*. However, considering the overall levels this risk should be considered low.

Possible answer:

*AV* has numerous reasons to accept the deal. An increasing competitive market with mergers and acquisitions taking place reveals a more concentrated market. *AV* will have to find defensive ways to remain competitive. A joint venture with *FL* will imply gaining from managerial and operational economies of scale. *AV* will also benefit from the synergies created. *FL* has numerous departments with qualified HR. *AV* could develop a loyalty programme and benefit from a larger pool of experienced pilots and a modern aircraft fleet.

Financially, *AV* has shown negative profit margins for two years in a row, probably due to increasing aircrafts repair costs deriving from an obsolete aircraft fleet. *AV*'s profit margins are also below the industry average. Join venturing with *FL*, a profitable company, could help *AV* to come back to a profitable path through costs reductions and increased market share Both companies together could reach a 23% dominance in the South American market.

However, both companies have different ways of doing business. *FL* has low customer satisfaction as flight delays and cancellations are more than often. *AV*'s brand image could be damaged if customers amalgamate their impressions to *FL*'s negative image and bad reputation. Internally, managerial and cultural clashes may occur. Will *AV*'s workforce adapt to *FL*? Will *AV*'s pilots and union be happy working for a venture with a different culture?

*Marks should be allocated according to the markbands on page 3.*

*If there is no balance, then for a one-sided response where only one approach is considered then award a maximum of [4].*

***N.B.*** *The main focus must be on the joint venture from AV perspective and not FL. Not doing this, results in at varying levels, not meeting the demands of the question.*

***N.B.*** *The nature of the question requires that candidates make a judgment – either they accept the joint venture, or they do not. If balanced arguments are presented but there is no judgment, then the candidate is only partly addressing the demands of the question. Hence award a maximum [7-8].*

*For [10], there is some awareness of the limitations of the stimulus material. Such limitations might include: financial information on competitor airlines (would another airline make a better joint venture partner, profitability of long haul versus shorthaul, the profitability of individual routes (would FL want to scrap the least profitable routes etc.).*

5. (a) Describe **one** feature of induction training. [2]

Induction training is given to an employee as they start their job. The training includes initial aspects of the role plus all the familiarization aspects of working in that role (location; start times; breaks; initial expectations (what the job entails), corporate culture etc.)

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

*Award [1] for a partial description (e.g., as employees start the job) with an additional [1] to include an aspect of an induction process. Award a maximum of [2].*

- (b) Comment on the employee survey carried out by Brian. [2]

The survey was carried out in a two-month period where only 35% of the staff responded. Results were mixed, as seen in the table.

Comments may include:

- Low response rate of 35% hence accuracy not guaranteed.
- Most were generally happy with the hours they worked, but unhappy with all other questions.
- The range of questions was very limited - only 5 questions.
- The option choices to answer were also limited - only 3 choices.
- Only 20% felt they were supported by management; 21% felt that management listened to them and 13% felt they were valued.
- Managers were not asked to answer the survey.

*Award [1] for a comment in context. An additional [1] if there is some mention of at least ONE item of actual data in terms of a percentage from the results of the survey (including low response rate) that links with the comment. Award a maximum of [2].*

- (c) With reference to expectancy theory **and Table 6**, explain **one** reason why Brian should be concerned by the results of the employee survey. [2]

Vrooms expectancy theory states that the "intensity of work effort depends on the perception that an individual's effort will result in the desired outcome." Simply put, people work harder when they believe increasing their efforts will improve their performance and lead to rewards. Employees are motivated when they believe:

- their work contributes to a larger goal or value
- they are competent at the work
- they will be rewarded for their efforts.

Expectancy theory suggests that individuals are motivated to perform if they know that their extra performance is both recognized and rewarded. A switch to performance-related pay (PRP) may generate improvements in motivation.

The evidence suggests that their expectations are certainly not met in 4 out of the 5 categories.

Table 6 suggests that employees do not feel valued, which could be contributing to poor attitudes and a negative working culture.

Salary is not a strong positive, and staff do not feel supported by or valued by management.

Making use of expectancy theory would suggest that Brian should be using PRP and listen much more to his staff.

The problems he faces could stem from poor motivation due to staff feeling undervalued, unsupported and under rewarded due to poor pay.

*Award [1] for showing understanding of expectancy theory. This would include reference to at least one of the three main aspects of recognition, support and reward - although the exact words (expectancy, instrumentality and valence) do not need to be used.*

*Award [1] for some contextual comment referring to the table. (Reference to actual figures not required) The table comment must link to some aspect of expectancy theory.*

*Award a maximum of [2].*

- (d) Explain **two** disadvantages for AS of its employees implementing a work-to-rule. [4]

Disadvantages could include:

- It causes a slowdown or reduction in productivity. AS will still have to pay employees so no financial possibility for AS to replace them as they are working according to their contracts.
- AS will not be able to fulfil the new contracts.
- Damaging reputation and image for AS as work to rule could affect the upcoming busy times and impact the chances of contracts being renewed in the future.
- Employees will not work overtime which in turn could affect AS's contracts and current operations.
- Unlikely to improve the already poor relationship between management and workers namely that managers do not listen (Table 6).

*Accept any other relevant response. N.B. Quality and efficiency are separate features.*

**Mark as 2+2.**

*Award [1] for a relevant disadvantage, with an additional [1] for application to AS.*

*Award up to a maximum of [2] per disadvantage.*

- (e) Using the information provided in the stimulus **and** in **Table 6**, discuss **two** possible approaches to conflict resolution that Brian could use at AS. [10]

There are many approaches to conflict resolution.

Conflict resolution tends to start with some form of **collective bargaining** but other approaches such as **arbitration; conciliation; employee participation; industrial democracy; no-strike agreements; single-union agreements** are also acceptable.

In the case of AS, the following relevant contextual information is **expected to be used**:

- Baggage handling and security services are vital airline functions that cannot easily be replaced or substituted.
- The upcoming busy summer period is a vital time for AS, and loss of staff at this time would be damaging to the reputation of AS.
- Industrial action could stop other airport contracts being secured.
- 15% and 6% are very far apart in terms of negotiation.
- Staff are struggling to feel good about their dealings with management (Table 6), so communication and employee participation may be difficult to arrange.

*Candidates not incorporating any of the above award a maximum of [7-8].*

As a possible solution to the problem, Brian could/should try to open dialogue with the workforce and offer some form of improved offer. He could use the anticipated additional revenue from AS expanding.

Some form of communication would need to be a part of the answer.

*Allow any reasonable developed solution.*

*Marks should be allocated according to the markbands on page 3.*

*Additional guidance: If the candidate discusses only one approach to conflict resolution (with balanced and substantiated arguments) then award a maximum of [5].*

*If there is no balance, then for a one-sided response where only one approach is considered then award a maximum of [4].*

*If candidates discuss motivational theories as part of e.g employee participation, these are mainly longer term solutions and not likely to resolve the immediate conflict issues.*

*For [10], there is some awareness of the limitations of the stimulus material.*

*For example: Do AS managers get training, are there any other workplace incentives apart from overtime e.g bonuses, free meals, promotions, flat or tall hierarchy, Brian's management style, what are the managers views of their workplace, centralized or decentralized authority (airports are in different geographical locations).*

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