



MARKSCHEME

May 2011

BUSINESS AND MANAGEMENT

Higher Level

Paper 1

21 pages

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The markbands on pages 3–6 should be used where indicated in the markscheme.

Section A			Level descriptors
Q1 (c)	Q2 (c)	Q3 (d)	
Marks 0–7			
0			<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No reference is made to the information in the case study.
3–5			<ul style="list-style-type: none"> • A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • Some reference is made to the information in the case study, not just to the name of the organization. • At the lower end of the markband responses are mainly theoretical.
6–7			<ul style="list-style-type: none"> • A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • An analysis/examination that uses appropriate terminology throughout the response. • Explicit references are made to the information in the case study.

Section B	Level descriptors
Q4 (d)	
Marks 0–8	
0	<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of judgments and/or conclusions. • No reference is made to the information in the case study.
3–4	<ul style="list-style-type: none"> • A description with some knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • No evidence of judgments and/or conclusions. • Some reference is made to the information in the case study, not just to the name of the organization. • The response is mainly theoretical.
5–6	<ul style="list-style-type: none"> • A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses relevant and appropriate terminology. • Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding. • Explicit references to the information in the case study are made at places in the response.
7–8	<ul style="list-style-type: none"> • A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis. • Explicit references to the information in the case study are made throughout the response.

Section C	Level descriptors
Q5 (c)	
Marks 0–9	
0	<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–3	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No reference is made to the information in the case study and/or the extension material within Section C.
4–6	<ul style="list-style-type: none"> • A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • Some reference is made to the information in the case study and/or the extension material within Section C, not just to the name of the organization. • At the lower end of the markband responses are mainly theoretical.
7–9	<ul style="list-style-type: none"> • A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • An analysis/examination that uses appropriate terminology throughout the response. • Explicit references are made to the information in the case study and/or the extension material within Section C.

Section C	Level descriptors
Q5 (d)	
Marks 0–12	
0	<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–3	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of synthesis of information from the case study, the extension material in Section C and, where applicable, from other responses within Section C. Information is merely lifted and copied into the response. • No evidence of judgments and/or conclusions. • No reference is made to the information in the case study and the extension material within Section C.
4–6	<ul style="list-style-type: none"> • A description with some knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • No evidence of synthesis of information from the case study, the extension material in Section C and, where applicable, from other responses within Section C. Information is merely lifted and copied into the response. • Evidence of judgments and/or conclusions that are no more than unsubstantiated statements. • Limited reference is made to the information in the case study and the extension material within Section C. • The response is mainly theoretical.
7–9	<ul style="list-style-type: none"> • A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology. • At places in the response information from the case study, the extension material in Section C and, where applicable, from other responses within Section C is (synthesised and) integrated to provide a basis for analysis and evaluation. • A response that includes judgments and/or conclusions that have limited support and are underpinned by a balanced analysis. • Explicit references to the information in the case study and the extension material within Section C are made at places in the response.
10–12	<ul style="list-style-type: none"> • A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • Information from the case study, the extension material in Section C and, where applicable, from other responses within Section C is proficiently (synthesised and) integrated to provide a basis for analysis and evaluation. • A response that includes judgments and/or conclusions that is well supported and underpinned by a thorough and balanced analysis. • Explicit references to the information in the case study and the extension material within Section C are made throughout the response.

SECTION A

- 1. (a) (i) Identify *two* external stakeholders of *Reach Out*. [2 marks]**

External stakeholders of *Reach Out* include:

- families of children with autism (and children themselves) – do not count twice
- private therapists (accept “private sector companies” but not just “competitors”)
- government (local, regional or national – not all)
- local university and trainee teachers who need work experience with children with autism
- companies producing communication resources/PECS cards
- *accept any other relevant external stakeholder* (as long as they are relevant for *Reach Out* – for example “suppliers” is too vague unless specified).

Award [1 mark] for each correct and relevant external stakeholder identified up to a maximum of [2 marks].

- (ii) Outline a possible interest of *one* of *Reach Out*'s external stakeholders identified in part (i). [2 marks]**

Answers will depend on the chosen stakeholder – for example, the private therapists see *Reach Out* therapists (trainee teachers) as a new form of competition (*i.e.* new entrants); *Reach Out*'s approach to pricing (up to four times cheaper) presents a real threat to them, hence the interest. They may protest or complain over the fact that the *Reach Out* therapists are not professionally qualified.

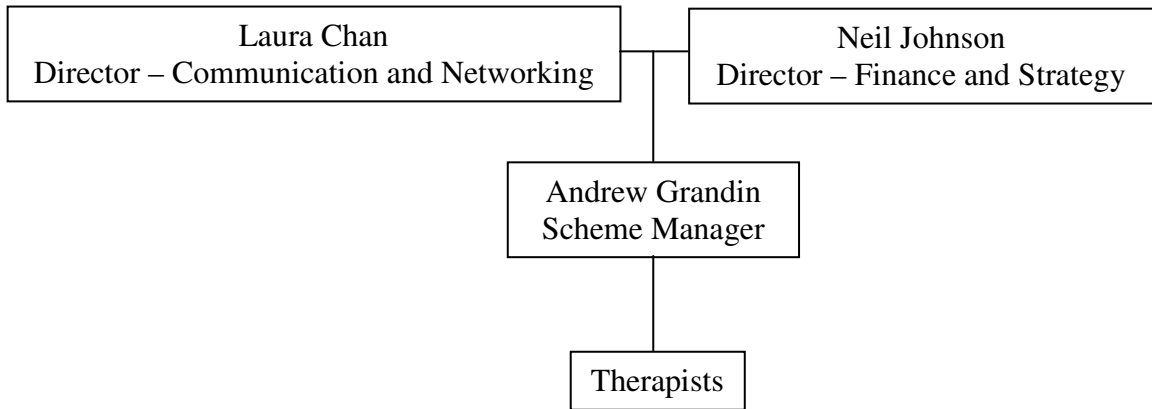
Accept any other relevant outline.

Award [1 mark] for a basic outline of a possible interest of one external stakeholder identified in part (i).

Award [2 marks] for a clear outline of a possible interest of one external stakeholder identified in part (i); for [2 marks] the interest must be realistic and explicit.

If the chosen external stakeholder is not from the answer to part (i), award a maximum of [1 mark], no matter how good the outline of the possible interest.

- (b) Construct a fully labelled organizational chart of *Reach Out* after the appointment of Andrew Grandin. [4 marks]



Note: the job titles might be on one side, depending on the layout.

Award [1 mark] for the relationship between Neil and Laura (at the same level).

Award [1 mark] for the relationship between Andrew, Neil and Laura (Andrew reporting to both of them).

Award [1 mark] for the relationship between Andrew and the therapists (trainee teachers) (the number of therapists on the chart does not matter).

Award [1 mark] for the labelling of the job titles (for Andrew, accept alternatives such as “manager” or “therapists manager”; for Laura and Neil, accept “co-directors”).

- (c) Analyse the advantages *and* disadvantages for *Reach Out* of accepting the sponsorship offer from *N-Pharma* (*Option 3*). [7 marks]

Advantages include:

- a new and regular source of income for *Reach Out* (\$10000 a month), without any need for extra work/activities/spending
- the sponsorship from *N-Pharma* could, in turn, attract other sponsors
- the marketing advantage of being associated with *N-Pharma* – a well-known company
- potential advice and support
- information or research into autism
- *accept any other relevant advantage.*

Disadvantages include:

- compromising *Reach Out's* integrity (Laura's main argument against it)
- there is no link between a pharmaceutical company and the mission and vision statement of *Reach Out* (other than research on autism, *line 137*), so it is not clear what message this sponsorship would communicate to *Reach Out's* stakeholders
- should *N-Pharma* suffer bad publicity, *Reach Out* too could be negatively affected
- *accept any other relevant disadvantage.*

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

2. (a) **Neil Johnson has prepared a business plan for *Reach Out* (line 31). Identify four elements of a business plan.** [4 marks]

Possible elements could include:

- an overall summary
- the mission statement/vision statement
- the aims/objectives of the business
- a section about legal status
- a section about marketing
- a section about human resources (HR)
- a section about operations
- a section about finance/accounting
- a calculation of start-up costs
- appendices such as cash-flow forecast
- *accept any other relevant element.*

Award [1 mark] for each correct element identified, up to a maximum of [4 marks].

- (b) **With reference to *Reach Out*, distinguish between a vision statement and a mission statement (lines 44–47).** [4 marks]

The vision statement is about the future: it presents the purpose of the organization, usually in terms of values or ideals. *Reach Out's* vision is that “no child with autism will be left behind”: this is *Reach Out's* driving force, the ultimate aim they seek, hence the idea of “vision”.

In contrast, the mission statement is a concise description of what the organization does: in the case of *Reach Out*, they “provide online support for families of children with autism”. It is concrete and practical: it is about what they already do (e.g. through Laura’s blog and web site), their purpose or what they want to do as soon as possible (“to offer them communication resources at a greatly reduced price”).

Accept any other relevant distinction.

[1 to 2 marks]

Award [1 mark] for an answer that just copies/lifts quotes from the case study. Award [2 marks] for an answer that shows some limited understanding of the difference between a vision statement and a mission statement, for example through a theoretical definition of the two.

[3 to 4 marks]

Award [3 marks] for an answer that combines “theory” (i.e. definition) and “practice” (i.e. reference to the case study). Award [4 marks] for an answer that clearly distinguishes between a vision statement and a mission statement, stressing the difference, with explicit reference to *Reach Out*.

- (c) **Analyse the importance of information and communication technology (ICT) in the creation *and* operations of *Reach Out*.** [7 marks]

On the one hand, ICT played an important role right from the beginning as *Reach Out* is originally based on Laura’s blog about raising a child with autism. That blog even enabled Laura and Neil to meet, as Neil read it and saw the business potential. The first part of *Reach Out*’s mission statement is about online activities; some fundraising comes from it and it has further potential, for example with the sponsorship from *N-Pharma*. ICT is also important in the interactions between families and therapists; it is through ICT shortcomings that Neil found out that Andrew is not able to use a computer, which is a major problem for *Reach Out*, as they rely a lot on electronic communication.

On the other hand, ICT remains a tool to support the other activities of *Reach Out*, especially the current therapist scheme and the future marketing of communication resources such as PECS cards. Both could not just exist virtually: therapists need to be in a room with the children, the PECS cards have to be real objects in the hands of the parents.

Accept any other relevant analysis.

Answers must be balanced and analyse both creation **and** operations for full marks.

Note: the balance may be between creation and operations; it does not have to be “for” and “against” the importance of ICT.

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

3. (a) **Define the term *corporate social responsibility* (line 138).** [2 marks]

A socially responsible business is one that realises it has an obligation or commitment which incorporates the interests of various stakeholders and the environment in a manner which is deemed to be beneficial and correct according to societal values, *e.g.* a socially responsible business may manufacture products in such a way as to limit carbon emissions. (This includes behaving **ethically** to its stakeholders.)

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

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

For **only** a relevant: example **or** application to the case study award [1 mark].

- (b) Identify *two* possible indirect costs of *Reach Out*. [2 marks]

Organizations' indirect costs include rent, utilities, taxes *etc.* Possible answers in the case of *Reach Out* include the electricity bill, internet access and web site hosting – though a range of other answers can be accepted (*e.g.* office sundries, even rent as Laura's office is in her house and *Reach Out* could pay her some rent).

Award [1 mark] for each correct possible indirect cost relevant to *Reach Out* identified, up to a maximum of [2 marks].

- (c) Using information from Appendix 1,

- (i) calculate the total cash receipts *and* the closing balance at the end of September 2010 if all figures follow the same pattern as in the previous months. [2 marks]

	September 2010
Opening balance (start of month)	16 920
Cash receipts	
Commission from therapist scheme	32 000
Charity contributions (donations)	200
Total cash receipts	32 200
Cash paid out (expenses)	
Neil's salary (10 % of cash receipts)	3 220
Laura's salary	2 000
Andrew's salary	1 000
Direct costs	350
Indirect costs	150
Total cash paid out	6 720
Net cash flow	25 480
Closing balance (end of month)	42 400

Candidates are not expected to complete the cash-flow forecast for September as above.

Total cash receipts = 32 200

Closing balance = 42 400

Award [1 mark] for each correct calculation, up to a maximum of [2 marks].

- (ii) calculate the total cash receipts *and* the closing balance at the end of September 2010 if Neil Johnson’s proposal to ask families to pay higher fees (lines 121–124) is implemented that month. *[2 marks]*

	September 2010
Opening balance (start of month)	16 920
Cash receipts	
Commission from therapist scheme	64 000
Charity contributions (donations)	200
Total cash receipts	64 200
Cash paid out (expenses)	
Neil’s salary (10 % of cash receipts)	6420
Laura’s salary	2000
Andrew’s salary	1000
Direct costs	350
Indirect costs	150
Total cash paid out	9920
Net cash flow	54 280
Closing balance (end of month)	71 200

Candidates are not expected to complete the cash-flow forecast for September as above.

Total cash receipts = 64 200
 Closing balance = 71 200

Award *[1 mark]* for each correct calculation, up to a maximum of *[2 marks]*.

(d) Examine the success of two elements of the marketing mix used by *Reach Out*. [7 marks]

The 7 Ps of the marketing mix may be used here: candidates are expected to examine two elements from the list of price, product, promotion, place, people, process and physical evidence.

Example for promotion:

Reach Out's promotion has two main channels: Laura's blog (and other online activities such as podcasts where she must mention the therapist scheme) and word-of-mouth (as parents of children with autism must talk to one another about the scheme). This has been very successful (as "the number of families asking for support was doubling each month" (lines 77–78), ensuring an ever increasing stream of income for *Reach Out* (see monthly cash flow) but many other promotional methods could be considered. Neil's proposal about brand development would further develop *Reach Out's* notoriety and goodwill, which could also help with further fundraising. At the moment, fundraising is a minor source of income (\$200 on average a month) but it has a lot of potential (e.g. with the sponsorship from *N-Pharma*) – however, promotion and communication are essential: this is one aspect of its marketing mix that has been successful but *Reach Out* could further develop.

Example for people:

People here refers to all the staff of *Reach Out*: the two directors, Andrew as well as the therapists. They all have skills and strengths that contribute to the success of *Reach Out* (e.g. Neil's business acumen, Laura's passion and drive) but some weaknesses too (e.g. Andrew's inability to use a computer, the therapists' lack of qualifications). From a marketing viewpoint, *Reach Out* could further use its strengths (e.g. Laura's and Andrew's personalities for networking and fundraising) – however they have to be careful that the weaknesses do not negatively affect the charity (e.g. Andrew's lack of computer literacy blocking the process of booking/confirming therapists' sessions). This is an aspect of the marketing mix that has not been so successful.

Accept any other relevant examination.

If the response is a one-sided relevant approach with no examination, award a maximum of **[4 marks]**. If only one element of the marketing mix is examined, award a maximum of **[4 marks]**.

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

SECTION B

- 4. (a) Outline two features of public-private partnerships (line 22). [4 marks]**

Features of public-private partnerships (PPP) include:

- a contract between a public sector authority and a private party
- collaboration (combining strengths; getting “the best of two worlds”)
- running more efficiently than bureaucratic public bodies
- several forms of PPP exist *e.g.* private finance initiative (PFI)
- *accept other relevant features.*

Mark as 2+2.

Award [*1 mark*] for each correct feature identified, and [*1 mark*] for the development of that feature (which could be through exemplification such as: Vector Arena in Auckland, New Zealand; Airport Link in Sydney, Australia; the National Maritime College of Ireland *etc.* up to a maximum of [*2 marks*]). Award [*0 marks*] if the candidate gives an example only.

Note: some candidates may write about benefits rather than features: this is acceptable. Some answers may be country-specific (as PPPs are country-specific): this is acceptable too.

- (b) **With reference to Laura Chan and Neil Johnson, explain the difference between leadership and management.** [4 marks]

Management is about planning, organizing and controlling. Neil is clearly a manager: he helped set up *Reach Out* in a professional, rational and efficient way. He is interested in the successful operations of the charity (which is probably why he was upset when he realized that Andrew was not performing well) and in financial success (which is why he identified options for further revenue).

Leadership is different: it has a more emotional dimension. A leader has the ability to inspire and a vision to share. Laura is clearly a leader: she knows what she wants *Reach Out* to reach and achieve (hence the vision statement that she is working to achieve). She is less interested in administrative aspects.

This contrast explains why Neil and Laura complement each other very well – but also why there is some tension between them, especially as the charity grows.

Accept any other relevant explanation.

[1 to 2 marks]

Award [1 mark] for an answer that just copies/lifts quotes from the case study. Award [2 marks] for an answer that shows some limited understanding of the difference between leadership and management, for example through a theoretical definition of the two or the correct use of terminology.

[3 to 4 marks]

Award [3 marks] for an answer that combines “theory” (*i.e.* definition) and “practice” (*i.e.* reference to the case study). Award [4 marks] for an answer that clearly explains the difference between leadership and management, with explicit reference to Neil as manager and Laura as leader.

- (c) **With reference to *Reach Out*, explain two benefits of having a family brand (line 126).** [4 marks]

Benefits of having a family brand include the following:

- using the existing reputation of *Reach Out* (and the goodwill associated with it), there is no need to spend much time or money on brand awareness raising
- all marketing and promotion for the *Reach Out* brand will benefit from marketing economies of scale (*e.g.* the therapist scheme) that are commercialized under the same umbrella name
- family branding could be used as a means of differentiating *Reach Out* from other non-profit organizations
- *accept any other relevant benefit explained.*

Mark as 2+2.

Award *[1 mark]* for each correct and relevant benefit identified, and *[1 mark]* for the explanation of that benefit up to a maximum of *[2 marks]*.

Award a maximum of *[1 mark]* for answers that refer to branding and not “family” branding.

- (d) Using Lewin’s force field analysis model, discuss the differences between Laura Chan’s and Neil Johnson’s views about the growth of *Reach Out*. [8 marks]**

Some candidates may draw a force field diagram, though this is not explicitly required as they are asked to “discuss”, they may just write a textual answer; this is fine. Candidates must not be penalized if they do not draw a diagram as they may just refer to the relevant concepts (driving forces, change, problem situation *etc.*).

- The driving forces for change correspond to Neil’s motivations to generate further revenue. He has identified three options (which could actually be combined). *Reach Out* has the potential to grow much further and Neil is keen to seize all opportunities. Other driving forces include the need to increase donations to offer more services and the fact that Neil is on commission.
- The restraining forces for change correspond to Laura’s doubts: she “was content with the current therapist scheme” and she is not interested in the three options (revised pricing structure, branding, sponsorship). She has the feeling that she may be losing control of the charity. Other restraining forces include size, personnel, finance and Laura’s emotional commitment to children with autism.

To overcome these differences, Neil and Laura could rather focus on the second part of the mission statement about producing and commercializing communication resources: this would fulfill both Laura’s ambitions (to help families of children with autism) and Neil’s business interests (marketing development, financial success).

Accept any other relevant discussion.

Award a maximum *[1–2 marks]* to answers that do not use the concept of Lewin’s force field analysis or has used Lewin’s force field analysis but not mentioned either Neil or Laura.

Marks should be allocated according to the markbands on page 4.

SECTION C

5. (a) Referring to Item 2, identify *two new additional factors* that Neil Johnson could include in his STEEPLE analysis of *Reach Out*. [2 marks]

From the extract from Item 2, there are indications of changes in the social, economic and political factors, which could affect *Reach Out*.

If the full STEEPLE is considered, technological, ethical and legal factors could be identified. (It would be unlikely that environmental would be included.)

- technological: (online provision of communication resources or improvements in production processes allowing greater productivity at lower cost)
- legal: the political decision to provide equal opportunities (*Item 1*) will have legal implications for schools, health providers and the workplace
- ethical: it may be perceived as unethical for private sector companies seeking profit maximization to produce PECS cards and obtain some free publicity on the back of the work already undertaken by the non-profit organization: *Reach Out*
- accept any other relevant new additional factor.

Award [1 mark] for each relevant factor identified up to a maximum of [2 marks].

If a candidate identifies an element from Item 2 but applies it to a different situation; this is acceptable.

If a candidate uses an element from Item 2 but does not apply it to a different situation; this is not acceptable – they are merely lifting from the text.

- (b) **Explain how changes in social behaviour towards autism (Items 1 and 2) could impact on *Reach Out* and its competitors.** [7 marks]

Clearly, there will be impacts on both *Reach Out* and the competitors if social behaviour towards autism changes. Explanations should be in context and contain elements, which impact on both *Reach Out* and its competitors.

- On a positive note greater awareness may lead to increased revenue for the competitors and a greater surplus for *Reach Out*. (However, *Reach Out* will need to investigate how its positioning will be affected if other competitors anticipating growth in this market decide to offer competing services (therapists and PECS cards: both services) to families.
- One impact of society's changing attitude towards autism is that *Reach Out* may not be able to cope with increased trading. The current structure of the organization may not be appropriate.
- A greater acceptance of autism could strengthen *Reach Out* and other charities push for more government funding and support for families. *Reach Out* may be able to achieve its vision much quicker than anticipated.
- The reaction of other stakeholders such as charities representing other worthwhile causes may feel that *Reach Out* is gaining too much attention for its work in raising the awareness of autism.
- Government policy towards autism in Item 1 covering equal opportunities should benefit both *Reach Out* and its competitors.

Accept any other relevant explanation.

[1 to 2 marks]

A limited response, but with some understanding of the impact that changes in social behaviour could have on **either** *Reach Out* **or** its competitors.

[3 to 5 marks]

The explanation is relevant with some understanding of the impacts on *Reach Out* **and** its competitors. At the top of the markband there is more detail and development of the explanation. If there is no mention of the additional information, award a maximum of **[4 marks]**.

[6 to 7 marks]

A clear, relevant and developed explanation of how changes in social behaviour could have an impact on *Reach Out* and its competitors. The concepts are well explained and clearly linked to issues in the case study **and** additional information.

(c) **Analyse the appropriateness for *Reach Out* of using a predatory pricing method for its PECS cards.** [9 marks]

- Laura’s frustration is understandable that three new competitors (private publishing companies) may be able to take advantage of all the hard work which *Reach Out* has undertaken to raise the awareness of autism, by charging lower prices (perhaps they have advantages of economies of scale which *Reach Out* do not possess).
- *Reach Out*’s decision to introduce predatory pricing will lead to increased sales revenue (given price elasticity of demand in Item 2) and re-establish *Reach Out*’s ethical credentials and preserve the mission.
- Laura clearly feels that this would benefit families even though the economy is slowly moving out of recession.
- *Reach Out* enjoys brand loyalty from its customers and predatory pricing may reinforce this.

Balance

- However, a lower price may trigger quality concerns about the finished product to families who depend on these PECS cards as a communication device for children with autism.
- Significant price cuts may trigger the competitors into following suit, and lead to a “race to the bottom”, which given *Reach Out*’s non-profit status may jeopardize the organization’s future viability.
- Predatory pricing may be illegal and unsustainable in the long run (Laura and Neil will need to check) (what if *Reach Out* tries to increase prices).

Accept any other relevant analysis.

Marks should be allocated according to the markbands on page 5.

(d) **Using information contained in the case study and Items 1 to 5, discuss whether *Reach Out* should outsource the production of its PECS cards to an overseas producer as part of a new strategy.** [12 marks]

It should be recognized that, given time constraints, answers are likely to include a **much** narrower range of issues and concepts than identified below. There is no “correct” answer.

Examiners **must** be prepared to award full marks to answers which synthesise and evaluate even if they do not examine all the stimulus materials or if they do **not** use strategic planning tools.

At the centre of this strategic decision is the dilemma that in order to maintain a competitive position in a market with significant market potential, *Reach Out* may be forced to outsource production of its communication resources to overseas providers. In doing this it will be risking its ethical credentials and violating its mission and vision if large numbers of adults with autism are forced out of work, by not taking orders from its local producer.

- The goodwill lost could be considerable especially as *Reach Out* has been given a prize (*Item 1*) and Laura's declaration that she intends to honor her commitment to the vision.
- The analytical framework for this strategic decision is left open. Reference is expected to *Item 2*, highlighting the need to consider the changes in social behaviour and other elements of the STEEPLE.
- An application of Porter's generic strategy is not required but given the competitors potential in the market, one could argue that *Reach Out* may need to undertake a five forces analysis.
- Information from *Item 5* would suggest that *Reach Out* needs to be careful when deciding on the benefits of outsourcing.

Candidates should be rewarded by looking at the cost savings (*Item 4*) from the outsourcing and how these could translate into real benefits for families with children with autism who are struggling according to *Item 3*, the blog postings.

There is no definitive answer here. Given the seemingly growing tension between Neil and Laura, it is difficult to see how this situation can be resolved. *Reach Out* will need to look at its mission statement and see if the new strategic move best serves this. This was the key motivator in the decision to start up this non-profit organization. However, changes in the external environment are impacting on *Reach Out* and action must be taken to ensure that there is the opportunity to realize the vision. Laura will need to accept that she cannot solve all of the issues of autism by herself and compromises will need to be made.

Accept any other relevant discussion.

Award a maximum of **[7–9 marks]** where both the case study **and** *Items 1 to 5* have not been used, *i.e.* only one set of data.

Marks should be allocated according to the markbands on page 6.