



# **MARKSCHEME**

**November 2013**

**BUSINESS AND MANAGEMENT**

**Standard Level**

**Paper 2**

22 pages

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The markbands on pages 3–4 should be used where indicated in the markscheme.

Section A		Section B			Level descriptors
Q1 (d)	Q2 (d)	Q3 (d)	Q4 (c)	Q5 (c)	
Marks 0–5					
0					<ul style="list-style-type: none"> <li>• No knowledge or understanding of relevant issues, concepts and theories.</li> <li>• No use of appropriate terminology.</li> </ul>
1–2					<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues, concepts and theories.</li> <li>• Little use of appropriate terminology.</li> <li>• No reference is made to the information in the stimulus material. The response is mainly theoretical.</li> </ul>
3–4					<ul style="list-style-type: none"> <li>• A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories.</li> <li>• Some use of appropriate terminology.</li> <li>• Some reference is made to the information in the stimulus material, not just to the name of the organization.</li> </ul>
5					<ul style="list-style-type: none"> <li>• A balanced analysis/examination with accurate, specific well-detailed knowledge and understanding of relevant issues, concepts and theories.</li> <li>• An analysis/examination that uses appropriate terminology throughout the response.</li> <li>• Explicit references are made to the information in the stimulus material.</li> </ul>

<b>Section B</b>			<b>Level descriptors</b>
<b>Q3 (e)</b>	<b>Q4 (d)</b>	<b>Q5 (d)</b>	
<b>Marks 0–7</b>			
<b>0</b>			
<b>1–2</b>			<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues, concepts and theories.</li> <li>• Little use of appropriate terminology.</li> <li>• No evidence of judgments and/or conclusions.</li> <li>• No reference is made to the information in the stimulus material.</li> </ul>
<b>3–4</b>			<ul style="list-style-type: none"> <li>• A description with some knowledge and/or understanding of relevant issues and concepts.</li> <li>• Some use of appropriate terminology.</li> <li>• No evidence of judgments and/or conclusions.</li> <li>• Some reference is made to the information in the stimulus material, not just to the name of the organization.</li> <li>• The response is mainly theoretical.</li> </ul>
<b>5–6</b>			<ul style="list-style-type: none"> <li>• A response with relevant knowledge and understanding of relevant issues, concepts and theories.</li> <li>• A response that uses relevant and appropriate terminology.</li> <li>• Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding.</li> <li>• Explicit references to the information in the stimulus material are made at places in the response.</li> </ul>
<b>7</b>			<ul style="list-style-type: none"> <li>• A response with accurate, specific well-detailed knowledge and understanding of relevant issues, concepts and theories.</li> <li>• A response that uses appropriate terminology competently throughout the response.</li> <li>• A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis.</li> <li>• Explicit references to the information in the stimulus material are made throughout the response.</li> </ul>

**SECTION A**

1. (a) (i) **Define the term *private sector*.** **[2 marks]**

The private sector (also called commercial sector) refers to those areas of the economy mostly owned and run by private individuals, partnerships and corporations, typically for a profit. Organizations in the private sector are not controlled by the state. The private sector exists/operates in contrast to the public sector, which are organizations majority owned and run by local, regional/provincial, and national governments.

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

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 stimulus award **[1 mark]**.

- (ii) **Identify *two* advantages for *BF* of operating as a private limited company.** **[2 marks]**

Advantages for *BF* of operating as a private limited company could include:

- limited liability of the owners
- it allows continuity in the event of the death of one of the principals/principal shareholders
- ownership of the company can be more easily transferred
- shares could provide an additional source of compensation
- with a private limited company, there is a convenient legal structure (selling shares) to raise additional equity capital
- banks, trade creditors, and other external sources of finance are generally more inclined to lend money/provide finance to private limited companies.

Award **[1 mark]** for each correct and relevant advantage for *BF* of operating as a private limited company identified up to a maximum of **[2 marks]**.

**(b) Calculate for *BF* per month at the *current location* (show all your working):**

**(i) the break-even level of output. [2 marks]**

$$\text{Fixed costs} = 400 + 3600 + 3600 + 1400 = \text{€}9000$$

$$\text{Contribution per frame} = \text{sales price} - \text{variable cost per frame} = 24 - (14 + 1) = \text{€}9$$

$$\text{Break-even level of output} = \frac{\text{fixed costs}}{\text{contribution per frame}} = \frac{9000}{9} = 1000$$

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

**(ii) the margin of safety. [2 marks]**

$$\begin{aligned} \text{Margin of safety} &= \text{current level of output} - \text{break-even level of output} \\ &= 1300 - 1000 = 300 \text{ frames} \end{aligned}$$

Apply Own Figure Rule (OFR).

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

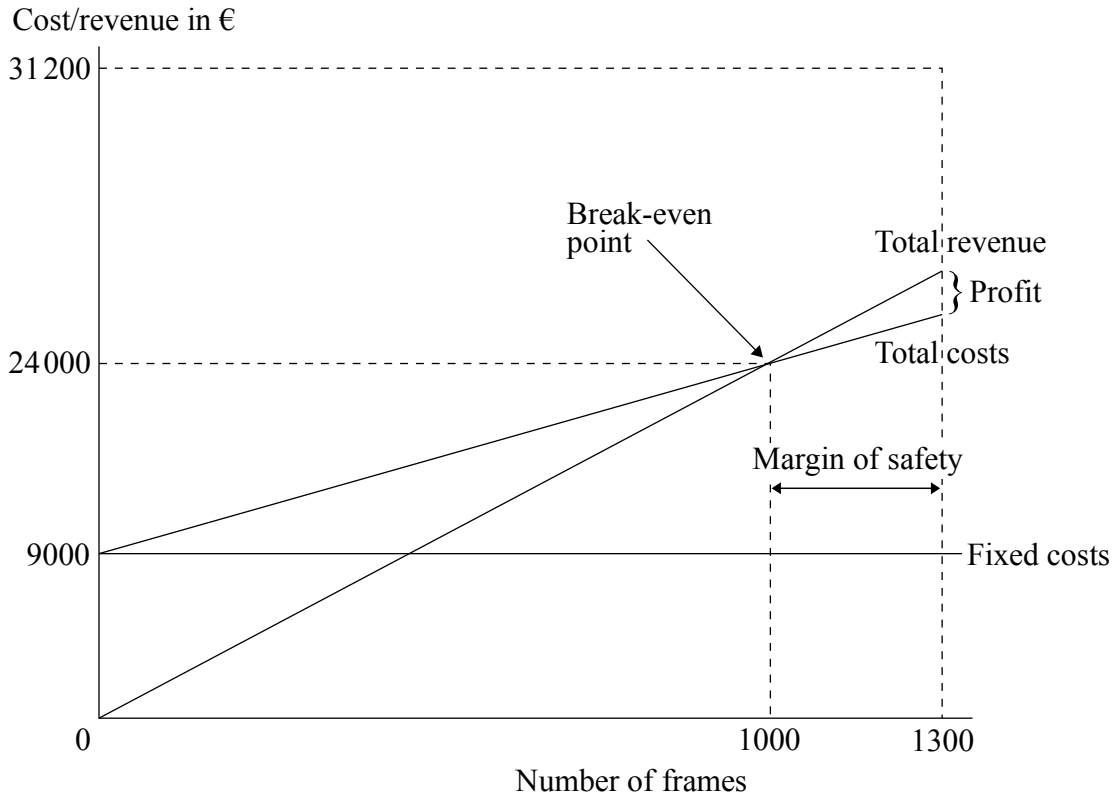
**(iii) the profit or loss at the current level of 1300 frames sold. [2 marks]**

$$\begin{aligned} \text{Profit} &= \text{SR} - \text{TC} = (1300 \times 24) - (9000 + 1300 \times 15) \\ &= 31200 - (9000 + 19500) \\ &= 31200 - 28500 \\ &= 2700 \end{aligned}$$

Apply Own Figure Rule (OFR).

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

(c) Construct a fully labelled break-even chart for *BF* at the *current location*. [5 marks]



Award marks as follows:

[1 mark] for each appropriately labelled axis – award up to a maximum of [2 marks].

[1 mark] for an appropriately drawn and labelled total revenue curve.

[1 mark] for an appropriately drawn and labelled total costs curve.

[1 mark] for the identification of the break-even level of output.

Award [0 marks] if a candidate produces a table, and award no more than [3 marks] if the chart is not neat, not drawn with a straight-edge, or is not to scale. If a candidate produces a chart with no figures (which prevents determination if it is to scale) but in other respects it is fully accurate, award a maximum of [3 marks].

Ideally, the candidate will draw an arrow pointing to the break-even point and label the arrow. However, accept as an “appropriately labelled” break-even point a vertical line from the *x*-axis to the break-even point provided that the line is labelled “break-even point”.

- (d) Examine *one* factor that might improve employee motivation and *one* factor that might worsen employee motivation if *BF* moves to a building in the industrial park in Belluno.

[5 marks]

Factors that might improve employee motivation include:

- possible extra financial rewards
- growth and possible increased professionalization and visibility of business
- evidence that Antonio is thinking about the long-term health of the business
- *accept any other relevant positive factor.*

Factors that might worsen employee motivation include:

- move from small town where people live
- increased commute time/costs
- slight decrease in the face-to-face feel of the business
- expectation that they produce more frames per month
- *accept any other relevant negative factor.*

Overall, the move to Belluno represents a form of modernization of *BF*. In many ways, this transition will be de-motivating for the reasons identified above. On the other hand, Antonio's moves show that he is concerned about the long-term viability of his family's business and is taking the necessary steps for *BF* to be successful in the future, which could give comfort and satisfaction to the employees.

*Accept any other relevant examination.*

**N.B.** Balance means that the candidate has considered both factors that improve and worsen employee motivation.

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



2. (a) Describe *two* appropriate sources of finance for *NTB* to acquire the 5 cars (Option 2). *[4 marks]*

Appropriate sources of finance would include:

- bank loan
- hire-purchase
- leasing
- personal savings
- becoming a partnership and taking equity funds from the new partner
- profits from the business.

*Accept any other appropriate sources of finance identified with an appropriate description.*

**Mark as 2 + 2.**

Award *[1 mark]* for each appropriate source of finance identified and *[1 mark]* for an appropriate description up to a maximum of *[2 marks]*.

- (b) (i) Calculate for Option 1, the payback period *and* the average rate of return (ARR) (*show all your working*). *[4 marks]*

**Payback period:**

$$\frac{\$120\,000}{\$40\,000} = 3 \text{ years}$$

Payback period is 3 years.

**Average rate of return:**

Average profit from investment: \$40 000 , investment: \$120 000

$$\begin{aligned} \$40\,000 \times 6 &= 240\,000 \\ 240\,000 - 120\,000 &= 120\,000 \\ \frac{120\,000}{6} &= 20\,000 \\ \frac{20\,000}{120\,000} \times 100 &= 16.67\% \end{aligned}$$

Average rate of return on motorcycles = 16.67% .

**Mark as 2 + 2. (*[2 marks]* for payback period and *[2 marks]* for ARR.)**

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

- (ii) Calculate for Option 2, the payback period *and* the average rate of return (ARR) (*show all your working*). **[4 marks]**

**Payback period:**

$$\$110\,000 - 27\,000 \text{ (yr 1)} - 35\,000 \text{ (yr 2)} - 35\,000 \text{ (yr 3)} = 13\,000$$

$$\frac{13\,000}{35\,000 \text{ (yr 4)}} = 0.3714$$

$$0.3714 \times 12 \text{ month} = 4.4568 \text{ months} \approx 5 \text{ months}$$

Payback period is 3 years and 5 months (accept 3 years and 4.5 months or 3 years and 4.6 months).

**Average rate of return:**

Average profit from investment:

$$27\,000 + (5 \times 35\,000) = 202\,000$$

$$202\,000 - 110\,000 = 92\,000$$

$$\frac{92\,000}{6} = 15\,333$$

$$\frac{15\,333}{110\,000} = 0.1393 \times 100 = 13.94\%$$

Average rate of return on cars = 13.94%.

**Mark as 2 + 2.** (**[2 marks]** for payback period and **[2 marks]** for ARR.)

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

Award a maximum of **[4 marks]**.

**(c) Comment on your results to part (b). [3 marks]**

Both investment options, purchasing 10 motorcycles or 5 cars, are attractive investment options, with payback periods of 3 years (motorcycles) and 3 years and 5 (or 4.46) months (cars) and ARR of 16.67% (motorcycles) and 13.94% (cars). The difference in ARRs is material. If no other factors were involved, it would clearly be better to invest in motorcycles. Over time, a 2.73% difference in investment returns (the difference between 16.67% and 13.94%) is substantial. There is also a difference in the payback period, indicating that the motorcycles are a better investment. However, these forecasted returns are just that, forecasts, and actual returns may vary.

Award **[1 mark]** if the candidate recognizes that the motorcycles represent the better investment. Award **[2 marks]** if the candidate recognizes that the motorcycles represent the better investment and explains in numerate terms why. Award **[3 marks]** if the candidate recognizes that the motorcycles represent the better investment, explains in numerate terms why, and provides some other relevant comment (other factors could influence the investment decision, these investment appraisals are based upon forecasts and that actual returns could differ, *etc*). Award up to a maximum of **[3 marks]**.

**(d) Analyse whether NTB should purchase the 10 motorcycles (Option 1) or the 5 cars (Option 2). [5 marks]**

*NTB's* decision whether to purchase motorcycles or cars probably depends on (1) the organization's commitment to social responsibility, (2) Chinh's concerns over increasing the scale of his business, and (3) Chinh's long-term vision. Based upon the information provided, the motorcycles have a better average rate of return. However, from the point of view of social responsibility, *NTB* should purchase the cars. Though they consume petrol, they are much quieter than the motorcycles. In addition, Chinh will have far less paperwork than with the motorcycles, which rent on a daily basis.

From an investment point of view, the reason that *NTB* has a lower rate of return from the cars is the lower profits in first year, when the organization is trying to establish its identity in the car rental market. Once it is established, Chinh predicts no problem offering car rental and the rate of return will improve to what he would have on motorcycles. Thus, if Chinh can accept the slightly lower rate in the first year, he will soon be making as much with cars as with motorcycles, the scale of his business will not be as large as with motorcycles, and he can appease the pressure group in Nha Trang.

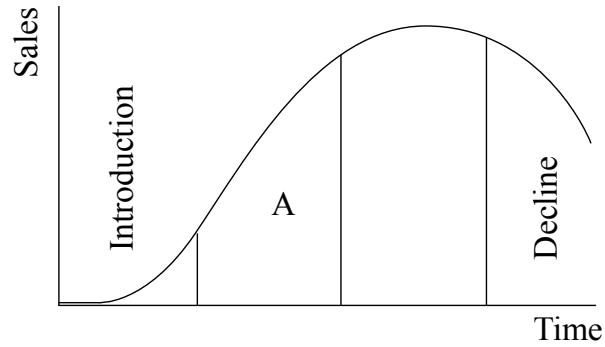
*Accept any other relevant analysis.*

**N.B.** If the candidate fails to use figures in their argument, award a maximum of **[3 marks]**.

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

**SECTION B**

3. (a) With reference to the product life cycle diagram below, identify the missing stages:



- (i) A. *[1 mark]*

Accept growth or development.

Award *[1 mark]* for the correct answer.

- (ii) B. *[1 mark]*

Accept saturation or maturity.

Award *[1 mark]* for the correct answer.

- (b) **With reference to *Anigam*, distinguish between above the line and below the line promotion.** [4 marks]

“Above the line promotion” refers to forms of advertising in a newspaper, on the internet, on television and on the radio where the business (in this case: *Anigam*) is not entirely responsible for the process, as another organization controls the process. For example, *Anigam* could advertise Anislim through short commercials on television and on *YouTube*, showing animals that are losing weight at the same time as their owners.

“Below the line promotion” refers to methods of promotion where the business (in this case: *Anigam*) is in direct contact with customers (for example, through loyalty cards, point of sale displays, direct marketing, even public relations). As Anitox is sold B2B to veterinary clinics, *Anigam* is very likely to use below the line promotion with the vets it targets.

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

**[1 to 2 marks]**

Award [1 mark] for an answer that shows some basic knowledge of the definitions of “above the line” and “below the line” promotion. Award [2 marks] for a theoretical answer that shows clear knowledge of the difference between “above the line” and “below the line” promotion.

**[3 to 4 marks]**

Award [3 marks] for a clear answer that is not just theoretical, but applies the concepts to *Anigam*. Award [4 marks] for a thorough answer that applies the concepts to *Anigam* and explicitly shows the difference between “above the line” and “below the line” promotion, with reference to different products of *Anigam*.

- (c) **Explain one reason why a promotional mix chosen by *Anigam* might fail.** [2 marks]

A promotional mix is a combination of different methods of promotion with specific targets. *Anigam*'s promotional mix may fail if the chosen methods do not properly target the intended segments, for example as Anitox is sold B2B to veterinary clinics, it would be inappropriate to target individual animal owners through television adverts, as they are not the ones who decide which drugs are used in their veterinary clinic. Likewise, a system of loyalty cards or regular purchase coupons would be inappropriate for Aniplus, as it would suggest that the drug does not work well, if customers are expected to buy it regularly.

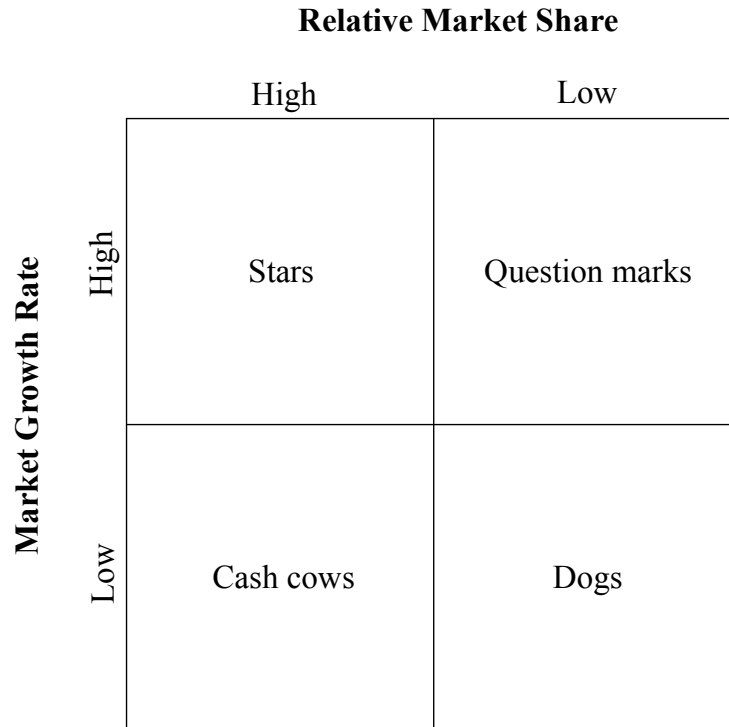
Do not credit elements of an answer about the marketing mix (the 4Ps or 7Ps), as the question is about a promotional mix, not a marketing mix.

Award [1 mark] for an answer that shows some basic knowledge of the definition and/or purpose of a promotional mix.

Award [2 marks] for an answer that explains one reason why a promotional mix chosen by *Anigam* might fail.

(d) Analyse *Anigam's* portfolio of animal drugs by applying the Boston consulting group (BCG) matrix. *[5 marks]*

The BCG matrix distinguishes between four types of products according to their market share and to the growth rate of the market in which they are sold.



The *Anigam* portfolio of products lends itself well to a BCG matrix:

- Anitox is a cash cow (it “has a high 25% share of the global market” and the market is “growing very slowly”)
- Anisan is a star (“it already has a high 15% share of a rapidly growing market”)
- Aniplus is a question mark (the market “is growing rapidly” however it seemingly has a low market share, as it is not performing well)
- Anislim is not a perfect fit for the BCG matrix; it is too early to tell whether it will become a star, a question mark, or a dog.

*Accept any other relevant analysis.*

If the candidate presents the matrix theoretically, award up to **[2 marks]**. Award **[1 mark]** for a basic presentation of the model with a minor error or omission, or poor labelling; award **[2 marks]** for a correct and accurate presentation of the model.

**N.B.** For **[5 marks]**, the candidate must demonstrate thorough knowledge of the BCG matrix and accurately address all four products.

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

- (e) **With reference to *Anigam* and one other company of your choice, discuss reasons for the increase in the number of multinational companies.** [7 marks]

“Positive” reasons for the increase in the number of multinational companies include the following:

- strategies of market development (to use a concept from the Ansoff matrix), when national markets are saturated
- potential growth in some foreign markets that are still untapped/available
- cost-saving (being closer to global customers and/or to cheaper labour and/or cheaper raw materials)
- differentiation from competitors
- exploitation of a brand name already popular, with market research showing potential
- financial motivation: taxes may be lower in some foreign markets
- *accept any other relevant positive reason.*

“Negative” reasons for the increase in the number of multinational companies include the following:

- saturation within host-country market
- consolidation within a company’s industry is forcing companies to find means to grow
- government legislation or regulation within the home country are limiting domestic sales
- being forced to offshore as a means to reduce costs
- *accept any other relevant negative reason.*

*Accept any other relevant discussion of the reasons identified.*

**N.B.** To achieve more than [5 marks], candidates must include explicit examples of multinational companies (such as *Starbucks*®, *Subway*®, etc).

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

4. (a) **Describe flow production in the context of a fast food restaurant such as *Zeitim*.** [2 marks]

Flow production (also known as mass production and line production) is the production of high volumes of standardized products using a continuous flow (with the image of an assembly line in a factory).

In the context of a fast food restaurant such as *Zeitim*, flow production looks like a series of employees, in line, each adding one element to the food being prepared, eg for a sandwich: one worker slices the bread, one worker adds vegetables, another one adds some sauce, etc.

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

Award [1 mark] for a theoretical answer that shows knowledge of the definition of flow production.

Award [2 marks] for an answer that describes the process.

- (b) **With reference to *Zeitim* and other organizations of your choice, explain three ways in which businesses can differentiate their products from their competitors’.** [6 marks]

Product differentiation can be achieved in the following ways:

- the product is radically different from competitors (eg the first iPads, iPods, iPhones)
- the product has minor yet unique differences (eg *KFC*®’s “original recipe” making its fried chicken taste slightly differently from its competitors)
- product specification (eg some clothing retailers specialize in very large sizes only)
- product portfolio (eg some bookshops have differentiated themselves by including a coffee shop on site, or by stocking books on specialized topics such as gardening or foreign literature)
- the product may be very similar, but branding ensures a difference of perception in customers’ minds (eg many fast food restaurants sell similar products, but only some are branded *Zeitim* or *McDonald’s*®).

Accept any other relevant explanation.

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

For each valid method of product differentiation: award [1 mark] for a theoretical answer that shows knowledge of the method of product differentiation, award [2 marks] for an answer that explains the method (which could be through an example), ie providing both “theory” and “practice”.



- (c) **Examine how branding may have contributed to the success of *Zeitim* restaurants.** [5 marks]

Branding is a marketing strategy: it is about creating a name that potential customers will recognize and remember (brand awareness). *Zeitim* has creatively developed its own branding around the amusing use of the letter Z (“*Zeitim* Zalads”, “*Zeitim* Zandwiches”, “*Zeitim* Zmoothy”). This may have contributed to the success of *Zeitim* restaurants because customers learn to recognize the *Zeitim* range of products, both because of the underpinning humour and because of the uniqueness of the family brand (as with the “Mc” range at *McDonalds*®: *McChicken* Sandwich®, *Chicken McNuggets*®, *McMuffin*®, *etc.*). In turn, this brand development may have contributed to brand loyalty; as the *Zeitim* products are highly standardized (flow production), customers know what to expect, even when they travel (to Asia and the Middle East), hence the success of *Zeitim* restaurants not only in high streets and shopping areas, but also in train stations and airports.

*Accept any other relevant examination.*

**N.B.** To receive top marks (according to the generic markbands on page 3), a candidate must have some balance in their answer. If a candidate explains that factors other than branding may have contributed to *Zeitim*'s success, that is sufficient for “balance”.

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

- (d) **With reference to *Zeitim* and one other organization of your choice, discuss the use of franchising as a growth strategy.** [7 marks]

Franchising is often used as an external growth strategy. For franchisors, it is a means of rapid expansion (which was the case of *Zeitim*) with franchisees providing most of the finance (as opposed to internal growth, requiring capital to buy or rent premises). When the franchise model works, there are large profits to be made from royalty/copyright payments (on the marketing use of the brand name) and possibly from selling raw materials and equipment. There are also many advantages for the franchisee, who receives support from the franchisor (eg through marketing and staff training) and may benefit from the well-known brand name (or at least from a successful model of production or distribution). This is why franchising has been used in the restaurant industry by so many international companies such as *McDonald's*®, *Starbucks*®, *KFC*® and *Pizza Hut*®.

Franchising, however, has limitations and disadvantages, especially for the franchisee. It can be very expensive (not only in terms of start-up costs, but also as the franchisee may have to pay a percentage of profit to the franchisor, which may substantially cut the profit margin). Besides, the franchisor has little or no flexibility (for example a *Zeitim* restaurant may not be allowed to decide what drinks it sells, what advertising it does or what colour is chosen to repaint the walls). For the franchisor, using franchising as a growth strategy requires having high level of structures in place and tight control over the franchisees' operations, as a negative story about one of them (eg about lack of hygiene) would affect the whole brand.

*Accept any other relevant discussion.*

**N.B.** To achieve more than [5 marks], candidates must include explicit examples of franchises (they may be national ones, this is acceptable as the question does not ask for international examples).

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

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

The term dividends refers to payments made to shareholders from a company out of its profits, typically sometime after the close of an accounting period (quarter or year). The board of directors of the company will determine the payout rate as a fixed amount per share and, thus, each individual shareholder's portion of the distribution corresponds to their proportion of the shares.

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

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 *[2 marks]*, a candidate must use the word profit or income in their response.

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

- (b) Explain the advantages for *WV* of operating both non-profit and profit-based shops. **[6 marks]**

The advantages for *WV* of operating non-profit shops are that it gives the organization the legitimate right to claim their mission of doing good: providing programmes, services, and products that are of public benefit. In the case of *WV*, villages in developing countries receive crucial economic benefit, as artisans can remain in the villages rather than migrate to other places for lucrative work, traditional skills are preserved, thus protecting the indigenous culture of these villages, consumers in developed countries like the United States are made more aware of markets and people in developing countries. As a result, in its non-profit shops *WV* can enjoy:

- the marketing advantages that come with being a non-profit shop (often free publicity, and favourable word-of-mouth)
- the human resource benefits that come with being a non-profit shop – generally easy to recruit staff and many are highly motivated
- tax-free status, at least on portions of its income that derive from the non-profit shops – governments typically do not tax the income of non-profit organizations
- *accept any other relevant advantage for WV of operating non-profit shops.*

The advantages of operating profit-based shops include:

- the organization can grow faster than it probably otherwise would and draw on the energy and enthusiasm of entrepreneurs
- as a larger organization, *WV* may enjoy some economies of scale
- because of the profit imperative (and because *WV* would in some fashion have to be responsive to its profit-based franchisees), the profit-based shops would probably be more attentive to market conditions
- *accept any other relevant advantage for WV of operating profit-based shops.*

**Mark as 3 + 3.**

Award **[1 mark]** for an advantage of operating non-profit shops, **[2 marks]** if an advantage is described, and **[3 marks]** if an advantage is explained.

Award **[1 mark]** for an advantage of operating profit-based shops, **[2 marks]** if an advantage is described, and **[3 marks]** if an advantage is explained.

- (c) **With reference to *WV*, analyse the roles of a mission statement and a vision statement.** **[5 marks]**

A mission statement states the fundamental purpose of the organization. It defines critical processes and allows the firm and customers to know the meaningful and measurable criteria of the firm, thus allowing some understanding of the desired level of performance. A vision statement is more abstract. It outlines what the organization wants to be, or how it wants the world in which it operates to be. It concentrates on the future. It is a source of inspiration.

Both mission and vision statements provide clear decision-making criteria. Because *WV*'s mission and vision powerfully outline socially responsible objectives, the mission and vision statements are crucially important tools providing guidance. The organization's commitment to helping artisans, fair practices, environmental friendliness and green processes is constantly being challenged by merely the fact that the global economic downturn is putting pressure on artisans and franchisees to lower costs and/or offer products not fully consistent with the mission of the organization.

*Accept any other relevant analysis.*

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

- (d) **Discuss whether Yvonne should allow artisans to use “non-environmentally friendly materials in their products” to cut costs.** [7 marks]

Although for some organizations, the question of whether to “go green” is open, for a company such as *WV*, it is less so. Making some compromises on materials would not entirely work with the organization’s commitment to “Making the world a village by supporting local artisans”. And, perhaps, some might argue that making artisanal products available, even if artisans are using non-environmentally friendly materials, is still laudable. Nonetheless, once compromises are made, the company’s commitment to eco-friendliness would be weakened and could lead to further erosion of its vision and mission. Moreover, the organization would open itself to charges of hypocrisy by any competitors who were not making such compromises. To be consistent with both the vision statement and the mission statement of the organization, *WV* must continue to strive to live by its principles.

On the other hand, the downturn of the global economy has probably put real pressure on *WV* and its franchises, and perhaps the only justification for making compromises would be if the very existence of the organization were at stake. Depending on the franchise agreement, Yvonne may not have full control over the products the franchises sell. Even if she does, she might not, practically speaking, have the power to monitor their activities. If the franchisees are in jeopardy of going out of business, some owners may do whatever they can to stay open and face whatever consequences Yvonne may try to impose.

*Accept any other relevant discussion.*

**N.B.** For [6 or 7 marks], the candidate must address at least two advantages or “pros” and two disadvantages or “cons”.

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