

Markscheme

November 2016

Business management

Higher level

Paper 1

15 pages

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

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Section B Q4 (d)	Level descriptor
Marks	
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theory are explained or applied and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

Section C, question 5**Criterion A: Knowledge and understanding of tools, techniques and theories**

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of relevant business management tools, techniques and theories, as stated and/or implied by the question. This includes using appropriate business management terminology.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of relevant tools, techniques and theory is demonstrated.
2	Satisfactory knowledge and understanding of relevant tools, techniques and theories is demonstrated.
3	Good knowledge and understanding of relevant tools, techniques and theories is generally demonstrated, though the explanation may lack some depth or breadth.
4	Good knowledge and understanding of relevant tools, techniques and theories is demonstrated.

Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the relevant business management tools, techniques and theories to the case study organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The relevant business management tools, techniques and theories are connected to the case study organization, but this connection is inappropriate or superficial.
2	The relevant business management tools, techniques and theories are appropriately connected to the case study organization, but this connection is not developed.
3	The relevant business management tools, techniques and theories are generally well applied to explain the situation and issues of the case study organization, though the explanation may lack some depth or breadth. Examples are provided.
4	The relevant business management tools, techniques and theories are well applied to explain the situation and issues of the case study organization. Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

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

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

Criterion D: Structure

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

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

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

Criterion E: Individual and societies

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

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

Section A

1. (a) With reference to *Medimatters*, describe **two** steps in setting up a new business. [4]

Possible steps include:

- identifying market opportunities: in this instance the medical industry or general public
- sourcing capital: in this instance the owners plus possible outside sources
- determining a location: may not be an issue unless they decide to make the lenses themselves
- building a customer base: a challenge in this instance.

Others steps could include:

- business idea/model/plan
- ownership decisions/legal structure
- name, registration, copyrights/patents
- product range
- roles / training.

Mark as 2+2.

Accept any other relevant step.

Award [1] for each correct step identified and [1] for a description of how that step relates to Medimatters. Award a maximum of [2] per step.

- (b) Explain suitable sources of finance in order for *Medimatters* to finance the additional setup cost of \$50 000 (line 92). [6]

They require \$60 000 to start trading.

They are each able to contribute some finance, but this will be insufficient.

- Set up as a private limited company. Would they want other shareholders? Family and friends might want to invest but would anyone else? Venture capital/Angels.
- Loans are a possibility but would banks/lenders be interested? There is no collateral and no trading history so seems unlikely.
- Working capital sources not available since not trading.
- **Also debentures, mortgages not appropriate (accept as source but not contextual). Overdrafts not contextual.**
- Grants/subsidies, particularly from medical/research organizations could be helpful. For example, governments might have business start-up loans/grants.

To what extent would they want to retain control? If this is not an issue there may be possibilities from venture capitalist sources.

Accept any other relevant application.

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

For a theoretical answer award a maximum [3]. For only explaining one source of finance award a maximum of [3].

If it answers the question "What source?" without explaining sources, award a maximum of [4].

If the explanation is mainly descriptive, but in context, award a maximum [5].

2. (a) With reference to *Medimatters*, describe **two** benefits of having a marketing plan. [4]

Possible benefits include:

- it provides a framework for the introduction of the new product to the market.
In this instance important because it is a completely new product and *Medimatters* is a new business
- it helps to develop marketing objectives/targets, again important because of the lack of experience of the owners
- it could help with marketing budgeting, relevant because of limited finance
- helps marketing decision making
- keeps stakeholders informed
- *any other relevant benefit.*

Mark as 2+2.

Award [1] for each benefit identified, and [1] for the development of each of these key aspects in the context of Medimatters. Award up to a maximum of [2] per benefit.

- (b) Explain the factors influencing a suitable promotional strategy for the IBAT app. [6]

This question is about factors.

The factors influencing a suitable promotion/advertising strategy are likely to be:

- the newness and originality of the product requires information to be communicated
- the product consisting of an app and a lens requires explaining to potential customers
- its likely customers which will include both the medical profession and final consumers
- promotion will depend on the market chosen: the medical professionals may best be contacted via conferences, articles. The general public through paid for advertising. By *Medimatters* or retailers?
- the size of the business, it is a small business, how much do they have to spend?
- its marketing mix – it has to be consistent with it
- reference to Brazil/zika virus can be considered as context.

Accept any other relevant factors related to promotion strategy and explanation.

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

For a theoretical answer award a maximum of [3]

If it answers the question 'What promotional strategy' limit to [4] if it does not explain the factors

If there is no recognition that there are two possible markets award a maximum of [5].

If the explanation of factors affecting promotion is mainly descriptive, but in context award a maximum of [5].

3. (a) With reference to *Medimatters*, describe **two** features of batch production. [4]

Possible features could include:

- separate groups of products can be produced – useful because different makes of phone may need a different lens
- suitable for likely scale of production about 1000 items: unlikely to be mass produced and job production would not be appropriate
- might involve changeover costs, but lens costs will be small compared with price
- involves holding of stocks. Issue for *Medimatters*? Or manufacturers?

Accept any other relevant feature.

Mark as 2+2.

Award [1] for each feature identified, and [1] for the development of each of these features in the context of Medimatters, up to a maximum of [2].

- (b) Assuming the production of the lenses is outsourced, explain the differences in how *Medimatters* would manage operations for its products/goods (the lens) and its service (the app). [6]

If the product/good is to be outsourced as a manufacturer has been identified.

This needs to be managed by:

- explanation does setting a specification for the product
- negotiating a suitable contract that involves both price and quality
- monitoring quality and managing issues if quality is not right
- monitoring delivery and sorting out any issues.

There will be little control by *Medimatters*.

The app will be in-house. Operations will include:

- designing the app, updating app
- testing the app together with the lens
- ensuring the app provides the service required, responding to feedback.

Medimatters will retain full control

Accept any other relevant analysis.

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

For a theoretical answer award a maximum of [3]. Award a maximum of [3] for only explaining one difference. N.B.: One major difference eg, the extent of control, can lead to a number of consequential differences. In these instances marks are not limited to [3].

If ONLY outsourcing OR the app are explained award a maximum of [3].

If explanation does not effectively bring out the differences award a maximum of [4].

If the explanation of more than one difference is mainly descriptive, but in context, award a maximum of [5]

Section B

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

Producing goods and services efficiently/ minimum wasted resources/improving quality.

*Candidates are **not** expected to word their definition **exactly** as above. All three are not needed. Although it is “define”, an example can help.*

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

Award [2] for a clear definition that conveys knowledge with some reference to the key issues in the answer above.

- (b) With reference to *Medimatters*, explain **two** steps in the process of recruitment to the customer services department. [4]

Possible steps include:

- identify vacancy
- decide nature of the job (for *Medimatters* this is for customer services)
- draw up job description(s) – can be described without using term
- draw up a person specification(s) – can be described without using term
- decide on method of recruitment including possibly appointing recruitment agency
- advertise the job as appropriate
- draw up short list
- conduct interviews
- select best applicant.

For *Medimatters* the recruitment is for customer services possessing IT skills and understanding of medical issues and this should be referred to in order to gain context marks.

Mark as 2+2.

Award [1] for each correct step identified, award [1] for explanation of that step in context.

Non-contextual answers award a maximum of [2] in total.

- (c) (i) Calculate the cost to make and the cost to buy IBAT lenses (*show all your working*). [2]

Cost to make:

$$(1000 \times 25) + 20\,000 = \$45\,000 \text{ alternatively } \$45 \text{ each}$$

Cost to buy: $1000 \times 50 = \$50\,000$ alternatively \$50 each

Award [1] for \$45 000 (or \$45), [1] mark for \$50 000 (or \$50) whether or not there is working.

Alternatively award [2] for \$95 000 whether or not there is workings (in the question “and” could be interpreted as “add them together”).

Do not attempt to award method marks. Don’t penalize for lack of \$.

If you see the right answer then reward it, no need to check workings.

- (ii) Briefly comment on your results in (c) (i). [2]

Award [2] for a comment that indicates some understanding that the difference is small and this means that because they have no experience of ‘making your own’, and the figures are only estimates, they should think very carefully before doing things themselves.

Award [1] for simple statements such as “making is cheaper than buying”.

- (d) “Ahmed considered his role as leader.” Recommend an appropriate leadership style for Ahmed.

[10]

Evidence in the additional stimulus material suggests he:

- is prepared to be autocratic where necessary
- likes to hear other peoples’ views
- puts effort into keeping people informed
- consults widely
- he acted decisively at times.

In addition:

- he has experience with project management
- manages a talented and committed group of people
- the group have chosen him
- people within the group seem to have clearly defined roles
- some of the group need guidance.

It would seem, therefore that:

- autocratic management would not be appropriate except in situations where immediate decisions are required
- democratic leadership might be appropriate, both in terms of the team he manages and his own personal qualities
- laissez faire might mean issues do not get resolved such as disagreements, sense of direction.

The best style of leadership is likely to be to adjust to circumstances and people ie situational leadership.

There are three aspects to this choice; the nature of the tasks, the nature of his colleagues, his own personal qualities.

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

Purely theoretical answer or with no effective use of stimulus material in range [3] to [4] with better answers award a maximum of [4].

If only one leadership style is considered award a maximum of [4].

Two or more styles considered with more than one aspect, but limited use of evidence award a maximum of [6].

Two or more styles considered, good use of evidence, particularly from Section B, but limited contrast award a maximum of [8].

For full marks two or more styles contrasted, aspects, evidence, particularly from section B, used effectively.

Section C

5. Using the case study **and** the additional information on page 4, recommend whether *Medimatters* should implement **option 1** or **option 2**.

You will find it useful to calculate the predicted outcome for **option 2** in the decision tree on page 4.

[20]

Option 1:

- interest shown at Asian conference
- risk spread among several markets
- possible economies of scale as production increases to provide for much larger market
- relatively low costs
- suitable wholesaler could solve many of the problems of moving into a new market.

However:

- regulatory standards differ from country to country
- quality issues still need to be solved and could be greater for a diverse market
- no experience of this market, completely different to Brazil
- problems of international marketing *etc.*

Predicted outcome from decision tree is \$40 000 compared to \$19 000 for **option 2**, however, much higher risk of failure, much smaller chance of great success. How reliable is data in the tree?

Option 2:

- avoids diseconomies of scale
- grow modestly is better than too rapid growth – cause of failure in many new businesses
- favoured by Didi and Carlo
- more predictable in terms of likely returns, lower risk/cost of failure.

However:

- misses opportunities
- limited market
- what about other markets?

Other reasoned arguments relevant to the situation accepted.

Decision largely hinges on *Medimatters*' attitude to risk. Either decision is rewardable if effectively argued.

PLEASE ANNOTATE SCRIPTS WHEN CRITERION A IS HIGHLIGHTED IN THE MARK BOX.

Marks should be allocated according to the assessment criteria on pages 5–6.

Note – a recommendation that a decision cannot be made due to lack of information (eg market research) can be regarded as a decision provided the arguments are supported.

If there are simple errors in calculating the predicted outcomes, they should be OFR in subsequent discussion but 4+3 for A and B, e.g. \$29k.

Criterion A: possible theories, management tools and techniques include: decision trees and predicted outcomes, risk, diversification/market development/ penetration (Ansoff), joint ventures, strategic decision making, stakeholders, marketing issues, economies of scale. HRM issues can also apply.

No understanding of decision trees max [3].

*For [4]: Decision tree **plus** at least one other tool, technique and theory understood and developed well with some relevance to the additional stimulus material.*

For [2]: Some understanding of at least two tools, techniques or theories, but not developed.

Criterion B: the tools, techniques, theories and stimulus applied to the decision. Application will be judged by the use of the stimulus material in particular the extra material especially the decision tree.

For [4]: Relevant tools, techniques and theories are applied well to the case study context and additional stimulus material, the application is convincing and relevant.

*If only one option considered max [3].
If no effective use of decision tree max [3].*

For [2]: Some limited context/application but not developed. Use of tools limits candidate's ability to make reasoned arguments.

If a candidate calculates predicted values for the decision tree but then does not use them reward only in Criterion A.

Criterion C: Options **discussed in balanced way, **conclusions drawn** as to whether they work.**

For [4]: There needs to be a comparison between the two options using the Section C and other material and a recommendation made.

For [2]: Only one option considered or some limited arguments but not justified. No comparison limited analysis but candidate arrives/draws a reasoned conclusion.

Criterion D: Structure

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

- an introduction
- logical structure
- a conclusion
- fit-for-purpose paragraphs. This means: not too long, focused on distinct issues, sequenced well, guides the reader.

For [4]: All four elements present, clearly organized.

For [2]: No logical structure but other elements present or logical structure with other elements missing.

Criterion E: Stakeholders: Individuals: each team member, individual doctors. Groups: The team, other business (wholesalers, manufacturers), customers (doctors, the general public), the Asian conference, government.

*For [4]: Two or more individuals **and** groups are considered in a balanced way.*

*For [2]: One group or individual considered appropriately, or several individuals **or** groups considered superficially.*
