

Markscheme

May 2017

Business management










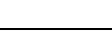






Standard level












Paper 2


23 pages

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The following are the annotations available to use when marking responses.

Annotation	Explanation	Associated shortcut
	AE - Attempts Evaluation	Alt+7
	BOD - Benefit of the doubt	Alt+0
	CKS - Clear Knowledge Shown	
	Cross - Incorrect point	
	DES - Descriptive	Alt+2
	EE - Effective evaluation	Alt+4
	GA - Good Analysis	
	GD - Good Definition	
	GEXA - Good Example	
	GEXP - Good Explanation	Alt+9
GP	GP - Good Point	Alt+5
	H Line - Underline tool	
	Highlight - Highlight tool	
	IR - Irrelevant	
	IU - Inappropriate Use	
	LD - Lacks Depth	
	LLS - Lacks Logical Structure	

	NAQ - Not Answered Question	Alt+6
	NBOD - No benefit of the doubt	Alt+8
	NE - Not enough	
	On Page Comment - On page comment tool	Alt+3
	P - Paragraphing	
	PE - Poorly expressed	
	QuestionMark - Unclear	
	SEEN_Small - Seen	
	Tick Colourable	Alt+1
	TV - Too vague	
	UR - Unbalanced Response	

You **must** make sure you have looked at all pages. Please put the  annotation on any blank page, to indicate that you have seen it.

The markbands and assessment criteria on pages 5–7 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theories 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.

Assessment criteria for Section C

Criterion A: Knowledge and conceptual understanding

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

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

Criterion B: Application

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

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

Criterion C: Reasoned arguments

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

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

Criterion D: Structure

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

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

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

Criterion E: Individuals and societies

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

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

Section A

1. (a) Define the term *price skimming*. [2]

Price skimming is setting prices high when introducing a new product to the market. This strategy typically works only for a limited time, as competitors will respond to the new product with innovations to their own products. As competitors introduce new products in response, demand for the original company’s product (the company price skimming) falls, and prices must be lowered.

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

Award [1] for a basic definition conveying the idea that price skimming involves setting a high price for a new product. Award and additional [1] mark for extra relevant information, such as the idea that the product is unique or differentiated from competitors’ products or that the price will fall over time. Maximum award: [2].

- (b) (i) Calculate the values of **X and Y** in Table 1 (*no working required*). [2]

X = \$2200 (millions of dollars)
Y = \$1500 (millions of dollars)

Award [1] mark for each correct answer up to a maximum of [2].

- (ii) Construct a profit and loss account for *SE* for 2015 **and** 2016. [4]

	2015	2016
Sales revenue	4300	5100
Cost of goods sold	2100	2300
Gross profit	2200	2800
Expenses	1200	1300
Net profit before interest and tax	1000	1500

*Award [4] if both profit and loss accounts are correct. Award [3] if the candidate correctly formats both profit and loss accounts, but has one mathematical error.
 If a candidate does not correctly format the profit and loss accounts or has two mathematical errors, award [2]. Award [1] if the candidate demonstrates some understanding of a profit and loss account but otherwise has numerous errors.*

Own figure rule applies. Many candidates will probably rough out a P & L on scratch paper to produce answers for 1(b)(i) and then neatly reproduce the P & L on the examination paper. If a candidate makes a mathematical error in (b)(i) and makes the same error in (b)(ii), apply the OFR.

- (c) Calculate net current assets (working capital) for 2016 (*show all your working*). **[2]**

Net current assets (working capital) is calculated by subtracting current liabilities from current assets (all in millions of dollars):

Current assets – Current liabilities = Net current assets

$$\$700 - \$300 = \$400$$

Writing out “current assets – current liabilities = net current assets” is not sufficient for getting the [1] for correct working. Candidates must write out $\$700 - 300 = 400$.

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

2. (a) Outline **two** appropriate external short-term sources of finance for *Anubis* **other than** loans from family and friends. **[2]**

The sources of finance suggested must be external and short term – therefore the only four rewardable answers are:

- Trade credit
- Factoring
- Overdraft
- Short-term bank loan

Award [1] per correct source identified up to a maximum of [2]. However, if a candidate outlines overdraft and short-term bank loan, maximum award [1].

Award [1] per correct source identified up to a maximum of [2].

- (b) Using the information above, prepare a fully labelled cash flow forecast from January to March 2018. **[5]**

	Jan	Feb	Mar
Opening balance	8000	2000	1000
Inflows:			
Sales	300 000	300 000	300 000
Tax refund		3000	
Total cash inflows	300 000	303 000	300 000
Outflows:			
Rent	2000		
Packaging	15 000	15 000	15 000
Wages	50 000	50 000	50 000
Cost of sales	220 000	220 000	220 000
Heating and lighting	4000	4000	4000
Delivery	15 000	15 000	15 000
Total cash outflows	306 000	304 000	304 000
Net cash flow	<6000>	<1000>	<4000>
Closing balance	2000	1000	<3000>

Award [1] if the candidate has some idea of an annual cash-flow forecast but otherwise has numerous errors. Award [2] if the cash flow has three or more errors or has a largely inaccurate format. Award [3] if it is largely formatted correctly and/or has two errors. Award [4] for a correctly formatted forecast with just one error. Award [5] for a correctly formatted and mathematically correct forecast.

(c) Comment on the predicted cash flow for *Anubis* for 2018.

[3]

The cash flow forecast is a cause for concern. The forecast covers the first three months of 2018 but the closing balance worsens each month and is forecasted to be negative in March. Thereafter, *Anubis* faces lower gross profit margin because of lower retail prices of phone cases and higher wages costs. Given that the market is increasingly competitive, *Anubis* may not be able to generate sufficient additional sales revenue to offset the lower gross profit margin. Thus, the situation for *Anubis* is not promising.

Award [1] for recognition that the business's cash flow position is predicted to deteriorate.

Award [1] for each additional relevant comment related to the stimulus and specifically referring to it, up to [2]. Maximum award: [3].

N.B. The candidate's commentary should be based upon the cash flow numbers that were produced in 2(b). Examiners should follow a procedure similar to the Own Figure Rule. Even if the candidate's cash flow numbers are extremely inaccurate, the candidate can still comment on them. The comment should be logically dependent on the numbers produced in 2 (b).

Section B

3. (a) Outline **two** common steps taken by a business in recruitment. [2]

Common steps taken by a business in the process of recruitment include:

- identifying position
- evaluating the requirements for the position
- developing a job description
- determining recruitment plan
- determining search committee
- advertizing position
- reviewing applicants and developing a list to interview
- conducting interviews
- selecting the candidate that best fits the description
- offering position and negotiating terms.

Accept any other relevant step in the process of recruitment.

Award [1] for each step identified up to a maximum of [2].

- (b) (i) Explain **two** disadvantages for *Wire* of introducing a piece rate system of wages for its cleaning staff. [4]

- Housekeepers may stop worrying as much about the quality of the job they do, instead only worrying about the number of rooms they can clean per hour to achieve greater earnings.
- The piece rate method may also discourage teamwork in the workplace because individual housekeepers simply want to complete more of their own work.
- The increased stress that results from having to clean more rooms may result in increased staff turnover and make it more difficult to recruit housekeepers in the future.
- Staff may become demotivated because they now have to clean more rooms for less pay.
- The piece rate system could damage *Wire*'s relationship with its customers such as *Dales* as the bad press could lead *Wire*'s customers not to renew contracts.

N.B. Piece rates are usually considered a motivator, not a de-motivator. Candidates may be awarded marks for saying piece rates demotivate provided that have a clear and logical explanation based upon the circumstances of the case.

Mark as 2+2.

*Award [1] for stating a disadvantage and an additional [1] for its explanation with reference to *Wire*. Award a maximum of [2].*

- (ii) Calculate the financial impact on cleaners employed by *Wire* from the introduction of the piece rate system in 2016 (*show all your working*). [2]

Wages earned in time-based system = $\$6 \times 8 \times 5 = \240 per week [1].

Wages earned using new piece rate system = $\$2 \times 20 \times 5 = \200 per week [1].

Financial impact on cleaners = $\$40$ per week. The question does not specify a time frame. Therefore, accept any time frame as long as the candidate is consistent. For example, $\$6 \times 8 = \48 and $\$2 \times 20 = \40 . Financial impact on cleaners = $\$8$ per day.

- (iii) Calculate the change in cleaning costs per room from the introduction of the piece rate system used by *Wire*. [2]

Cleaning wage cost per room in old system = $\$6 \times 8$ divided by 13 rooms = $\$3.69$ per room [1].

New system: $\$2$ per room, therefore the change in cleaning costs = $\$1.69$ per room [1].

Own Figure Rule applies.

- (c) Recommend if *Dales* should stop outsourcing the cleaning of hotel rooms. [10]

If *Dales* stops outsourcing its cleaners then costs will rise. Outsourcing did cut costs per room from 5 % of room revenues to 2 % – this is likely to be reversed if they stop outsourcing, unless of course they operate the same system as used by *Wire*: a piece rate system. Costs could, in the short run, increase – *Dales* will now be responsible for training and recruitment costs, which are unavoidable. These costs could be significant, especially since in 2016 *Dales*'s profits decreased from $\$24$ m to $\$4$ m. This increase in costs could cause them to make a loss at least in the short term.

However, stopping outsourcing will not deal with *Dales*'s other problems – wage rates at *Dales* are below the average for the hotel industry. Consequently, staff turnover is high. Recruitment is difficult due to the number of hotels in the area and the wages paid.

Cessation of outsourcing of cleaners will have no impact on these issues.

Hotel guests may find that their rooms are cleaned to a higher standard if *Dales* returns to having cleaners only clean 13 rooms per day rather than 20. However, if *Dales* sticks with the piece rate system adopted by *Wire* then nothing will really change and poorly cleaned rooms may continue to be an issue.

Hotel guests are critical not just about room cleanliness but also about food quality and poor customer service across the hotel. Cleaner rooms may help reduce the fall in room bookings but unless other concerns such as food quality and customer service are challenged then insourcing of cleaners may do little to arrest the decline in bookings.

Certainly, it is a step in the right direction, but *Dales*'s problems appear deeper than just poorly cleaned rooms and unless these are dealt with the future looks grim.

Dales operates in a highly competitive market and unless it offers wages on par with rival hotels then staff turnover will remain high. Continued high labour turnover will not help it establish better customer care and may be a significant factor in the poor quality of food sold in the hotel. *Dales* is positioned as a high-price and high-quality hotel – guests that pay high prices expect good food, polite staff and a clean room.

In order to reach the top bands of the markscheme candidates must demonstrate that insourcing will only solve one of *Dales*'s problems and must discuss the importance of the other factors in contributing to their falling room occupancy rates.

Accept any other relevant evaluation.

The table below should be followed (along with the markbands on page 5).

These mark awards in the table below should be viewed as maximums. That is, just because a candidate has one argument for outsourcing and one argument against does not mean that they will automatically get a 4. One strong argument for one side and merely a weak or nominal argument for the other side might result in a 3.

Maximum Mark award	Should Dales stop outsourcing?	Judgments/conclusion
3	One argument for or against. Not merely an assertion, but an argument	N/A
4	One argument for and one argument against Or, two or more arguments for one side of argument and none for the other	N/A
5	Two arguments for one side, one for the other	N/A
6	Two arguments for, two arguments against	No judgments/conclusions
7–8	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis. Largely effective use of business language and the stimulus	Judgments/conclusions based upon analysis and explanation in the body of the response
9–10	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis. Rich use of business language, business theory and the stimulus	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis.

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

4. (a) Describe **one** characteristic of a niche market. [2]

Characteristics of a niche market include that they:

- are narrow
- are smaller than most markets or a fraction of a market
- often require specialized processes (marketing or operations) to fill the niche
- more specific in terms of features or quality of the product or service
- given the above niche markets or segments may be characterized as having higher final prices to consumers.

Accept other relevant characteristics of a niche market. Candidates are not expected to word their responses exactly as above.

Award [1] for identification of a characteristic of a niche market.

Award [2] for a full, clear description of the characteristic. Meaningful exemplification would qualify as a description deserving two marks.

- (b) With reference to SV, explain **one** advantage **and one** disadvantage of using secondary market research. [4]

Advantages of secondary market research include:

- Efficient in terms of time – the data on wine consumption patterns, for example, has already been collected by someone else and is available.
- Effective in terms of cost – often, secondary research is free and, when not, is typically less expensive than the process of gathering primary research.
- Often, ample secondary research exists. On certain topics or related to certain markets, secondary research can be extensive. It has allowed SV to consider new geographical markets which it may not have considered before.
- Others have often thought through many of the core issues and a business can benefit from the insights of experts of collated data and written about them.

Disadvantages of secondary research include:

- Lack of precise focus on the issue or problem concerning a business
- Lack of timeliness – often secondary research is outdated
- Uncertainty about the quality of the data collection/research.

Mark as 2+2.

Award [1] for each advantage and disadvantage identified and award an additional [1] each if explained with application to SV.

- (c) Given the intense competition, explain **two** pricing strategies SV might consider. **[4]**

Pricing strategies that SV might consider include:

- Cost-plus (mark-up) – SV may want to return to this pricing strategy, which guarantees that for each bottle of wine it sells the business is covering its per unit costs. However, SV's brand identity might suffer if it lowered prices.
- Penetration – SV could use this pricing strategy as it enters new markets. Penetration pricing would allow SV to attract first-time customers in new markets with lower-than-normal pricing. Once some brand loyalty develops, SV could then raise prices.
- Psychological – Whereas psychological pricing sometimes refers to pricing below certain thresholds (\$9.99 rather than \$10.00) for a psychological effect, another form of psychological pricing is pricing a product high as a way of suggesting that the product is of high quality or value. SV might try to strengthen its brand identity with psychological pricing along this line, especially as the competition is intense.
- Loss leader – SV could try a loss-leader strategy, whereby it sells one of its wines at very low prices in an attempt to get consumers to buy SV wines. Other varieties of SV wines, however, would be priced in a fashion to compensate for the losses on the one type. This strategy, like others involving attracting customers through low prices, could weaken SV's brand identity.
- Price discrimination – SV might consider is price discrimination, where SV sets the prices based upon the market that it is entering. For example, SV might charge more for wines in New York City than in Charlotte, NC. Both cities (major banking centres in the United States) have upscale buyers. Nevertheless, prices of virtually all types of goods and services cost less in Charlotte than in New York.
- Premium pricing – Though premium pricing is not in the guide, candidates are free to use it if they wish. Premium pricing occurs when a business inflates its prices precisely to enhance brand value. Consumers think that, by paying more, they are getting a better product.
- Promotional pricing – setting pricing very low for a short period to get customers to buy your product, often for the first time.
- Value-based pricing – setting a price based upon what consumers perceive the value of the product to be rather than on the actual cost to produce.

Accept other pricing strategies as long as there is a clear indication of why this may be acceptable to SV. *Do not accept predatory pricing.*

N.B. Candidates must actually name pricing strategies. “Lowering prices” and “Increasing prices” are not pricing strategies.

Mark as 2+2.

Award [1] for each appropriate pricing strategy explained and [1] for application to the stimulus.

- (d) Recommend which of **Option 1** and **Option 2** SV should consider in order to increase sales.

[10]

SV is considering two options:

Option 1: open a business-to-consumer (B2C) e-commerce “store”.

This option would involve selling wines online to consumers. They currently sell directly to customers at the vineyard.

Benefits of this approach include:

- SV can reach a wide market area.
- The website and consumer traffic on the website is relatively inexpensive advertising. It is important for a new company trying to enter new markets to keep costs of entry low.
- Promotion and advertising can easily be extended via social network sites.
- Online offers can reach much wider target markets.
- From a consumer perspective, B2C e-commerce also has benefits, especially the convenience and ability to compare prices and explain the differences between wines sold to make an informed decision. Important in a premium market.

B2C e-commerce also has disadvantages, which include:

- SV would have to address consumer concerns that its site is secure.
- SV would have to incur costs making sure that the site is secure.
- Competitors can easily track what SV is doing to promote and sell its products
- Setting up the website and establishing the procedures for fulfilling orders could be expensive. New supply chains to reach new customers may have to be created adding to short-term costs.
- Alcohol is a heavily regulated product, especially in the United States, and it could be complicated and cumbersome for SV making sure that it is in compliance with federal and state laws (and laws regarding alcohol vary from state to state).
- SV would also have to make sure that selling wines online did not conflict with the premium brand identity that SV otherwise tries to maintain.

Option 2: sell SV wines to wholesalers serving the whole of the US market for premium wines.

Advantages of this approach include:

- The wholesaler stores the product, thereby reducing storage costs for SV.
- The wholesaler purchases in bulk and then breaks the bulk purchases into smaller batches for the retailers. This process means that SV does not have to concern itself with small orders by individual retailers. This may be important in a premium market.
- Because SV wants to sell over long distances – the entire United States – this approach pushes much of the complicated processes of distribution to wholesalers.

However, working with wholesalers has disadvantages:

- Wholesalers sell the products of many companies, and their loyalties and highest priorities may be with other brands.
- Working with wholesalers adds another intermediary and mark-up, which can lead to higher prices to consumers (who may respond by purchasing other products) or to thinner margins for SV.

- Working through wholesalers and distributing across the United States, SV may not be able to afford national promotion. If it cannot, it will have to rely on the wholesalers and retailers for much of its promotion. Can SV be confident that the wholesales will position SV's new wines positively? How will they check?

Overall, option 2 is possibly the longer term option, involves considerable costs, is potentially the greater risk, but the profits could be considerable over option 1. Option 1 is a market penetration strategy effectively trying to sell the same product in the same market via an online channel. Initially, customers who would have bought directly from the vineyard could go online instead. Overall sales may increase marginally. This will change over time as the e-commerce store becomes more sustainable but from the information given in the stimulus, option 2 would seem to have the greater market potential for growth. (Market development to use the Ansoff terminology but direct application to the matrix is not expected.)

Balance in the context of this question means having at least one advantage and one disadvantage for each option (and, thus, addressing both options).

Accept any other relevant evaluation.

These mark awards in the table below should be viewed as maximums.

Maximum Mark award	Option 1	Option 2	Judgments/conclusion
3	One option unbalanced		N/A
4	One option balanced (one argument for and one argument against) or both options in an unbalanced fashion		N/A
5	One balanced and one unbalanced		N/A
6	Both balanced		No judgments/conclusions
7-8	Balanced Largely effective use of business language and the stimulus		Judgments/conclusions based upon analysis and explanation in the body of the response
9-10	Balanced Rich use of business language, business theory, and the stimulus		Judgments/conclusions based upon analysis and explanation in the body of the response

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

5. (a) Outline **two** features of an autocratic leadership style. [2]

- Decision making in an organization is restricted to a very small group of select individuals.
- Limited consultation and discussion in an organization given by autocratic leadership.
- Communication tends to be downward and one-way only.

Award [1] for each correct feature identified.

(b) Apply Daniel Pink’s motivation theory to the programmers at *Gen Y*. [6]

Daniel Pink’s motivation theory identifies that there are three key drivers, or factors, that influence motivation for cognitive or thinking tasks leading to improved performance for a business. The three key drivers are:

- mastery
- autonomy
- purpose.

From the stimulus we can argue that, before Petra’s potential involvement, *Gen Y* allows for:

- Purpose – high-quality reports providing innovative market research. The business is providing revolutionary work for its clients. This would act as a motivator for *Gen Y* programmers as they are carrying out ground-breaking work.
- Autonomy – *Gen Y* allows for employees to work on individual dream projects. They are also empowered to make their own decisions.
- Mastery – there is evidence from the stimulus that *Gen Y* has used cognitive training. This would presumably build capacity to develop and refine skills of the programmers, again boosting motivation according to Pink and allowing them to be more creative.

Award [1] if there is some or partial understanding shown of Pink’s motivation theory, the answer is not complete and not applied to Gen Y.

Award [2] if there is a much better understanding of Daniel Pink’s theory. All three drivers of motivation are identified. There is no application to Pink with the answer being merely theoretical. Just mentioning the name of the business does not constitute application.

Award [3] when three drivers are identified and one is applied to the stimulus or two drivers identified and both applied to the stimulus.

Award [4] when three drivers are identified and two applied to the stimulus.

Award [5] when three drivers are identified and three applied to the stimulus.

N.B. For mark awards in the [3-5] range, the application does not have to be exactly as above. For example, some candidates may argue that the ability to work on their dream projects may provide purpose and/or also means autonomy.

Award [6] when three drivers are identified and three are applied to the stimulus largely as outlined above. Each application must be to a different element of the stimulus.

- (c) Explain **one** reason, **other than** increased sales revenue, why it is important that *Gen Y* generates new revenue streams.

[2]

Gen Y's core business is the creation of innovative market research data reports. The business also allows employees to work on “dream projects” during the working week. In order to remain innovative and sustainable, *Gen Y* will need to secure new finance through new revenue streams to ensure that the creative and innovative energy continues to flow. New revenue streams will also allow *Gen Y* to continue to motivate workers through their Pink motivational model, which could be expensive to finance given the cognitive training required. The company has not yet made a profit, so generating alternative revenue streams would be essential, especially if salary costs need to rise to attract new talent in the future.

Award [1] if a reason other than increasing sales revenue is given and explained, with reference to Gen Y for [2].

- (d) Discuss whether Zack should sell Petra half of his shares with her conditions.

[10]

By selling his shares to Petra, Zack faces concerns not only of ownership but also that the culture of *Gen Y* – which by assumption has led to the success and motivation of employees – will have to be systematically changed. It is uncertain at this stage whether this change in culture will bring forward any improvements.

In common with many other start-ups, profit for *Gen Y* remains elusive despite the considerable sums invested. Zack has tried to finance “dream projects” to turn inventions into innovation but without success. The harsh reality is that without funding coming into the business, the long-term sustainability of *Gen Y* is in doubt. If he does not take some action now and invite Petra into the business, then all jobs and intellectual property at *Gen Y* are under threat. Some programmers may leave the company if they sense that for some reason the opportunity to work on dream projects is cut back. Taking on Petra as a partner may weaken Zack's control but will ensure in the short term that *Gen Y* remains viable.

However, to receive this funding, Petra has added conditions that Zack must accept. These conditions will not be popular in an organization where there are strong links to Daniel Pink's motivational theory. A leadership style change to autocratic will impact on the autonomy currently enjoyed by the employees. The purpose may also be affected, as Petra will wish to have a strong influence in the type of vision or direction, she wishes to see *Gen Y* move to. The ending of innovative and revolutionary “dream projects” may be the first casualty. Motivation could be destroyed.

Further, the insistence on specific targets for programmers may impose deadlines/restrictions, which may be too much for the employees to take who have been empowered to make their own decisions.

The short-term situation is difficult for Zack. He has to balance the financial issues present in the case study with the idealism and motivation of his workforce. Petra's conditions, whilst restrictive, may save *Gen Y*. Zack may be forced to sell this idea of Petra receiving half his shares to his employees. Some employees may quit and be hired by competitors but perhaps they may not have been committed to *Gen Y* and Zack's purpose. Either way, Zack will find it difficult to turn down Petra's offer.

Maximum Mark award	Discuss whether Zack should sell Petra half of his shares with her conditions.	Judgments/conclusion
3	One argument for or against. Not merely an assertion, but an argument	N/A
4	One argument for and One argument against Or, two or more arguments for one side of argument and none for the other	N/A
5	Two arguments for one side, one for the other	N/A
6	Two arguments for, two arguments against	No judgments/conclusions
7–8	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis. Largely effective use of business language and the stimulus	Judgments/conclusions based upon analysis and explanation in the body of the response
9–10	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis. Rich use of business language, business theory and the stimulus	Two arguments for, two arguments against plus a conclusion that is more than nominal – actually flows out of the analysis.

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

Section C

Please mark the candidate response using the assessment criteria on pages 6 to 7.

Additional examiner guidance may be added during standardization.

6. With reference to an organization of your choice, examine the impact of **globalization** on **innovation**.
7. With reference to an organization of your choice, examine the impact of **ethics** on organizational **strategy**.
8. With reference to an organization of your choice, discuss the ways in which **culture** can promote or inhibit **change**.

Candidates can use any change in the organization provided the nature of the change is well explained and applied.

It is important that the candidate explain what existed before the change rather than just assert that change has occurred.

In Q7 and Q8, the exact content is not specified. It is expected that the candidates select their content like their chosen strategy or the exact change and fully and clearly explain and apply the relevant theoretical terms and content throughout.

Additional guidance in relation to the assessment criteria

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

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

If only **one** concept is addressed:

Criteria A, B, C and E: award up to a maximum **[3]**.

Criterion D: full marks can be awarded.

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

It is expected that under the **introduction**, the candidates introduce the chosen organisation, explain nature of the relevant concepts to be use when discussing the impact.

Criterion A

It is expected that the candidate use the relevant concepts throughout the response to demonstrate the understanding of the concept. It is not sufficient just to define/ describe the concept in the introduction.

Criterion B

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

Criterion C

1+1 arguments are expected per concepts.

- Questions 6 to 8 require consideration of the impact of one concept **on** a second concept – therefore accept 2+2 arguments for a balanced response.
- Justification is through logic or data.
- For **[2]** there is no balance as there are no counter arguments at all, or the arguments are all one-sided then this would be unjustified.
- For **[3]** there is some balanced arguments – some of which are justified.

The arguments and the counter arguments **must be relevant/ appropriate for the question**. Do not accept any counter argument which does not address the question.

Criterion D

- Introductions need to be concise and related to the question.
- The candidate's response does not to have explicit headings for each structural element.
- A body is the area in which the substance of arguments occur. It is usually located between the introduction and the conclusion.
- Fit-for-purpose paragraph means that ideas are presented in a clear academic way. For example, one idea per paragraph.

Criterion E

- One example of an "individual" could be an individual consumer or an individual manager. However this could not be considered with a "group" of consumers or a management team.
- For **[4]**, a balanced response: need to look at the perspectives of **both** individual **and** group(s). The chosen individual, group needs to be **applicable** and **relevant** to the question with specific explanation.
- Candidates need to go beyond stating the stakeholder.
- Candidates need not explicitly say "stakeholder".
- Candidates should support their assertions on the impact **on** or the impact **of** their chosen stakeholders. The support does not have to come in real figures but with some evidence of impact for example, 'the market share increased' 'staff turnover decreased', 'fewer defects were evident'.

In the event that, when answering paper 2, section C, a candidate chooses an organization from some other part of the exam (for example, an organization in the stimulus of section B), their response should be marked as follows:

A – 1 mark maximum, as the candidate might understand the essence of the two concepts but the content selected is irrelevant

B – 0 marks, as there is no connection to a real organization.

C – 0 marks, as statements cannot be even superficial as the statements are not about a real organization.

D – 2 marks maximum. Even with technically perfect presentation, the ideas are not about a real organization. Award **[2]** if the response is well written with an introduction, fit-for-purpose paragraphs, and a conclusion. Award **[1]** mark if the essay is missing one of those elements, provided that the response is otherwise of a reasonable standard of writing and organization.

E – 1 mark, for inappropriate consideration of stakeholders. Award **[1]** if a candidate demonstrates some understanding of what a stakeholder is through either definition or exemplification.