Diploma Programme
Programme du diplôme
Programa del Diploma

Markscheme

November 2017

Business management

Higher level

Paper 1

13 pages

International Baccalaureate
Baccalauréat International
Bachillerato Internacional

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The markbands and assessment criteria on pages 5–8 should be used where indicated in the markscheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
1–2			• 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			• 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			• 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) Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	• 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	• 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	• 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	• 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	• 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) Describe **two** advantages to *MSS* of being a charity (line 14). **[4]**

Advantages to MSS include:
- land being donated – unlikely if not a charity
- grants – usually only available for charities
- books being donated
- the management being able to focus on their mission rather than profits, which may make the mission and vision more attractive to potential students/parents
- possible tax advantages
- charities often achieve strong reputations
- Limited liability for trustees for most charities.

Accept any other reasonable description.

Award [1] for each advantage, up to a total of [2].

Award [1] for putting the advantage into context, up to a total of [2].

(b) Explain how the school could overcome high labour turnover. **[6]**

Key aspects leading to high labour turnover are:
- poor accommodation
- having to teach only in English
- no career development
- no professional development
- access to technology for staff
- standard pay scales.

Solutions likely to come from these including higher wages, more levels of hierarchy, access to new technology, staff involvement.

Explanation/analysis will come from discussing these and any other relevant issue. Candidates do not need to discuss these in relation to motivation theories, such as Maslow, Herzberg, Taylor, Adams or Pink but these could be rewarded.

Accept any other reasonable explanation.

Award a maximum of [3] for a theoretical answer or for only analysing one method/idea.

Award a maximum of [5] if the analysis of two or more methods/ideas is mainly descriptive but in context.

Only award [6] if answer takes into account constraints on methods/ideas eg limited finance, being a charity etc.

2. (a) Describe **two** features of the school's marketing mix (line 54).   **[4]**

Context: The marketing mix can apply to: the IT centre, the product of an education for girls, boarding, a better school environment than most schools, and a humanitarian award.

Features include:
- promotion by means of effective communication with customers
- a coordinated marketing mix
- branding based on the humanitarian award and the mission of the school
- the school and its location, which is the product and is differentiated from similar organizations
- Product: school environment, ethos, extra curricula activities, boarding school, other aspects of service.

Remember: Place is about distribution, not location and is unlikely to apply to MSS.

Accept any other reasonable description. (eg at HL can accept the 7Ps)

For each feature: Award [1] for identifying the feature and [1] for relevant application to MSS.

(b) Explain, with reference to MSS, the purpose of the mission and vision statements (line 37).   **[6]**

A mission statement is a statement of the purpose of an organization, in this instance providing an education for girls. It should refer to the key market (parents of girls), the contribution it makes to that market and what makes the service unique, so that the client chooses the school. The school's ethics may play a part in this.

A vision statement is a statement of an organization's overall objectives designed to aid decision making. In this instance it will refer to future plans for growth and facilities.

Mission statements and vision statements fulfill different purposes. A mission statement describes an organization's purpose and answers the questions "What business are we in?" and "What is our business for?". A vision statement provides strategic direction and describes what the owner or founder wants the company to achieve in the future.

Accept any other reasonable explanation.

Award a maximum of [3] for a theoretical answer.

Award a maximum of [4] if either only one of mission statement or vision statement are addressed in context.

Award a maximum of [5] if the analysis is mainly descriptive but in context.

If there is confusion between mission statement and vision statement but there is some understanding shown of the concepts award a maximum of [4] if in context and [2] if no context. If the statements are not explained but purposes developed also award max [4].

3.   (a)   Describe **one** capital expenditure **and one** revenue expenditure for MSS
         (lines 16–17)   **[4]**

Capital expenditure could include: buildings, computers, books, equipment.
Revenue expenditure could include: wages, materials, electricity, marketing, *etc*.

Pens, paper and other consumables are revenue expenditure even if bought
in bulk.

Accept any other reasonable expenditures.

*For each capital expenditure: Award [1] for identifying the expenditure and [1] for
relevant application to MSS.*

*For each revenue expenditure: Award [1] for identifying the expenditure and [1]
for relevant application to MSS.*

(b)   Explain a suitable promotional mix that *MSS* might use to attract new students*.*   **[6]**

Relevant context:
- *MSS* is a charity so has a limited promotion budget
- the school is in a remote area, which has an impact on the choice
- ethical considerations
- USP considerations
- suitable methods
- is the promotion for the local area or in the cities? The outcome might be
  different for each.

Above the line methods:
- advertising, but where?

Below the line:
- sales promotion. How? Two for the price of one might apply to siblings.
- public relations. For a small school? Where?
- exhibitions, *etc.* But the school is remote.
- word of mouth. Probably the most likely in a remote location.
- can also include social media in below the line.

Remember: This question is about a "mix" of promotional activities and therefore
needs more than one promotional activity.

Accept any other reasonable explanation.

*Analysis should come from explaining how the methods can achieve
the objective.*

Award a maximum of [3] for a theoretical answer.

*Award a maximum of [4] if the explanation is limited to only one promotional
activity in context.*

Award a maximum of [5] if the answer is purely descriptive but in context.

A judgement/recommendation is not needed for [6].

Section B

4. (a) Define the term *contingency plan*.   **[2]**

A contingency plan is a systematic way of preparing for the unexpected. Can accept "planning". This would be sufficient for **[2]**.

The aim is to reduce the possible impact of unexpected and unwanted events. If the definition relies on natural disasters, emergencies, crisis *etc* rather than "unexpected" only award **[1]** unless it is clear these are examples and that there is a "plan."

Award [1] for some understanding.

Award [2] for a clear definition which must include a sense of preparing for the unexpected/unwanted/crisis or similar words.

(b) Explain the usefulness to *MSS* of the variance analysis in **Table 1**.   **[4]**

The variances suggest seeking answers to questions, helping future budgeting and identifying problems.

The calculations show lower than expected fees. This helps plan for teachers and other resources.

Higher than expected salaries. This helps questions such as "Have we recruited too many teachers"? and "Could we afford a pay increase?".

Higher cash purchases suggests looking at the value to MSS of cash purchases made. The overall profit figure has changed a great deal so considerable need for concern.

Candidates are likely to explain the general meaning of variances and then illustrate their use by reference to the data in **Table 1.** However, do not reward a simple interpretation of the table without reference to use as this doesn't answer the question.

A description only/definition only does not gain marks however a very clear description of variance analysis together with a very good example of use from **Table 1** could achieve **[4]**. Otherwise:

Award [1] for each usefulness identified and [1] for its relevance to MSS, usually with reference to numbers.

(c) Explain **two** restraining forces relating to change at *MSS*.   **[4]**

Restraining forces include:
- poor electricity supply
- does the school have the expertise?
- limited finance available
- no internet
- maybe other priorities
- construction/implementation problems.

Accept other reasonable alternative answers.

Award [1] for identifying each restraining force and [1] for linking that force to MSS.

(d) Discuss human resource strategies that could reduce the impact on employees of the changes suggested by Mrs K. **[10]**

Proposed changes suggested by Mrs K:
- Increase teacher contact time with students
- Observe each other's lessons and make suggestions for improvements
- Additional duties for teachers

Possible strategies include:
- involving teachers in the decisions and their implementation
- allowing teachers to have employee representatives
- making sure staff understand the reasons for change
- bringing the changes in gradually
- making sure training is available – this may solve a range of problems
- working to ensure everyone shares Jacob's vision.

This question is more about management of change than human resources and high mark answers should reflect that.

Accept reasonable alternative answers.

Marks should be allocated according to the mark bands on page 4.

Award a maximum of [4] for a purely theoretical answer with no effective use of additional case material or reference to management of change.

Award a maximum of [4] if the candidate only analyses/evaluates Mrs K's changes.

Award a maximum of [5] if only one strategy is considered in context.

Award a maximum of [5] if there is no reference to the changes suggested by Mrs K.

Award a maximum of [6] if more than one strategy is considered but there is limited use of data.

Award a maximum of [8] if strategies/impacts are considered, there is good use of data, but lack judgement(s).

For full marks more than one strategy should be considered, data used effectively, a clear development of the impact on employees given and judgements are made.

Section C

5. Using the information above and in **Figure 1**, recommend either Option 1 or Option 2 for *MSS*. You will find it useful to calculate the payback period for the two options. **[20]**

Discussion could include:

Option 1: IT centre
- Longer term option
- Higher risk
- Some funding has already been achieved
- It fits in with Jacob's vision and mission
- It helps with a very valuable USP
- it could attract pupils from the city
- There is a higher risk of failure although loss is smaller, there are possible construction problems
- "Successful" returns are higher
- But large capital outlay
- Predicted outcome $1300
- Staff don't like this option, but benefits for students
- ARR 26.7 %, NPV $1153, payback 2.14 years which is just less than 2 years and 2 months.
- Donor already found for internet connection
-

Option 2: minibus
- Solves an urgent problem
- Lower risk
- There is less likelihood of it attracting new students?
- The risk of failure is small and the probability of success higher.
- Predicted outcome $1165, less than the IT centre
- Staff like the idea
- It has a variety of uses
- Quicker payback (1.45 years, just more than 1 year and 5 months) and higher ARR (35.4 %) but shorter life, hence NPV lower ($567)
- Improves situation for teachers and students
- Purchase cost relatively low.

Other issues
- Reliability of data?
- How realistic are probabilities?
- Are there other alternatives?

Only some of these issues need to be discussed for a full response
Accept any other relevant discussion.

Marks should be allocated according to the assessment criteria on pages 7–8.

Criterion A *is concerned with what techniques and ideas are chosen to solve the problem.*

Criterion B *is concerned with how effectively these techniques and the data are applied to the problem.*

Criterion C is concerned with how well arguments are balanced and recommendations that are made.

Criterion A: *Knowledge areas include: risk, decision trees and predicted outcomes, investment appraisal, use and limitations of data, strategic decision making. No understanding of decision trees and/or predicted outcomes and/or investment appraisal, marks limited to **[3]**.*

Criterion B: *Application will be judged by the use of the stimulus material, in particular the extra material. If only one option considered, award a maximum of **[2]**. If both options considered but no use of additional material, award a maximum of **[3]**. If no payback based on the original data or payback not used limit to **[3]**.*

Criterion C: *Reasoned argument. For full marks there needs to be a comparison between the two options and a supported recommendation. If analysis of only one, award a maximum of **[3]**. If no comparison but analysis of both options award a maximum of **[2]**. For simplistic analysis max **[1]**.*

Criterion D: *Structure – see criterion.*

Criterion E: *Likely issues include: Groups: impact on communities, teachers and/or other employees, students/potential students, parents, townspeople, contractors, trustees, management, other stakeholders. Individuals: Jacob and Mrs K.*

0 = no relevant mention of any groups, individuals

1 = only group(s), or only individual(s) or both treated superficially

2 = group(s) and individuals(s) considered but either groups or individuals superficial

3 = groups and individuals considered more than superficially but not balanced

4 = groups and individuals given balanced consideration

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.*

Do not penalise candidates who make little or no reference to the original pre-release material.