

# Markscheme

May 2018

Business management

Standard level

















Paper 2












24 pages


This markscheme is **confidential** and for the exclusive use of examiners in this examination session.

It is the property of the International Baccalaureate and must **not** be reproduced or distributed to any other person without the authorization of the IB Global Centre, Cardiff.

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

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

	NAQ - Not Answered Question	
	NBOD - No benefit of the doubt	
	NE - Not enough	
	On Page Comment - On page comment tool	
	P - Paragraphing	
	PE - Poorly expressed	
	QuestionMark - Unclear	
	SEEN_Small - Seen	
	Tick Colourable	
	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"> <li>• Little understanding of the demands of the question.</li> <li>• Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking.</li> <li>• Little reference to the stimulus material.</li> </ul>
3–4	<ul style="list-style-type: none"> <li>• Some understanding of the demands of the question.</li> <li>• Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used.</li> <li>• Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.</li> </ul>
5–6	<ul style="list-style-type: none"> <li>• Understanding of most of the demands of the question.</li> <li>• Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time.</li> <li>• Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization.</li> <li>• Some evidence of a balanced response.</li> <li>• Some judgments are relevant but not substantiated.</li> </ul>
7–8	<ul style="list-style-type: none"> <li>• Good understanding of the demands of the question.</li> <li>• Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used.</li> <li>• Good reference to the stimulus material.</li> <li>• Good evidence of a balanced response.</li> <li>• The judgments are relevant but not always well substantiated.</li> </ul>
9–10	<ul style="list-style-type: none"> <li>• Good understanding of the demands of the question, including implications, where relevant.</li> <li>• Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response.</li> <li>• Effective use of the stimulus material in a way that significantly strengthens the response.</li> <li>• Evidence of balance is consistent throughout the response.</li> <li>• The judgments are relevant and well substantiated.</li> </ul>

### 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 *current assets*. [2]

Current assets are items either owned by a business or owed to that business with a life of less than twelve months.

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

**N.B.** *no application required. Do not credit examples on their own, though correct examples can provide reinforcement to answers*

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

*Award [2] for a full definition.*

- (b) Using **Table 1**, calculate *Fishers's* net profit **before** interest and tax for 2017 (*show all your working*). [2]

Sales revenue – variable costs – fixed costs = net profit before interest and tax  
 $900\,000 - (6 \times 75\,000) - 55\,000 = \$395\,000$

To receive **[2]**, candidates must show workings.

- (c) Using **Table 2**, calculate the following forecasted figures for 2018:

- (i) sales revenue; [1]

\$990 000

- (ii) total variable costs; [1]

\$577 500

- (iii) income tax; [1]

\$65,500

- (iv) net profit **after** interest and tax. [1]

\$262,000

If a candidate calculates tax before deducting interest expense in question (c)(iii), award **[0]**. The answer is incorrect. However, if the candidate then produces the answer \$256 000 for (c)(iv), award **[1]** for that question based upon the OFR.

Accept responses if candidates do not include 000s: \$990, \$577.5, \$65.5, and \$262.

*Apply OFR where applicable. Award [1] for each correct answer up to [4]. Candidates are not required to show workings.*



- (d) Explain why *Fishers* experiences a significant increase in current assets and current liabilities from March to October.

[2]

In anticipation of increased sales during the period April through September, *Fishers* must increase production starting in March. Thus, it buys more stock, which increases both current assets (stock, which later become debtors) and current liabilities (short-term borrowings and creditors). *Fishers* maintains this higher volume of trading (and levels of current assets and current liabilities) until sales start to contract in October. In anticipation of lower sales from October through March, the reverse of the process above occurs.

*If candidates simply say that the increase is “due to peak sales” (or something very similar), do not award credit.*

**N.B.** *Application may be limited or nominal, which is acceptable, provided that the response is relevant.*

*Award [1] for a basic explanation that conveys partial understanding.*

*Award [2] for a full explanation that conveys knowledge and understanding similar to the above.*

2. (a) Define the term *unique selling point/proposition (USP)*. [2]

A unique selling point is any aspect of the organization, brand or product that enables differentiation in consumers' minds from the competitors.

**N.B.** no application required. Do not credit examples.

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

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

- (b) (i) Construct a fully labelled balance sheet for VT for the end of 2017. [5]

**Balance sheet for VT for the end of 2017:**

Fixed assets	\$30 000	
Less accumulated depreciation:	\$3000	
<b>Net fixed assets</b>		<b>\$27 000</b>
<b>Current assets:</b>		
Stock		\$4500
Debtors		\$3500
Cash		\$1000
<b>Total CA</b>		<b>\$9000</b>
<b>Current liabilities:</b>		
Overdraft	\$2000	
Creditors	\$4000	
Short-term loans	\$1500	
<b>Total CL</b>		<b>\$7500</b>
<b>Net current assets/ working capital</b>		<b>\$1500 (9000–7500)</b>
<b>Total assets less current liabilities</b>		<b>\$28 500</b>
<b>Long-term liabilities</b>	<b>\$5000</b>	
<b>Net assets</b>		<b>\$23 500</b>
<b>Financed by:</b>		
Share capital		\$13 500
Retained profit		\$10 000
<b>Equity</b>		<b>\$23 500</b>

*Accurate presentation refers to the correct heading, sub-heading and to the inclusion of all and only the relevant figures.*

*Allow OFR.*

**[0]**

*The B/S does not reach a standard described below.*

**[1–2]**

*The B/S is not accurately constructed, and/or the calculations within and between the various components are not presented or largely incorrect. However, there is limited evidence of a general understanding of the format*

**[3–4]**

*The principal elements of the B/S are constructed, but may not be entirely accurate. The calculations under each heading/component/part are largely correct.*

*Allow up to two mistakes in calculations **and/or** presentation for **[3]**.*

*Allow for **either** one error in calculation **or** one error in presentation **[4]**.*

*For an accurately constructed B/S with incorrect calculations, award up to a maximum of **[3]**.*

*Allow OFR.*

*For example, if one irrelevant figure that belongs to the P/L account is added, obviously the rest will not match.*

**[5]**

*The B/S is accurately constructed in the expected IBO format. All the relevant headings of each component/ parts are used and correctly classified. Do not penalise for internal order of classification. All and only the relevant figures are presented. No extra irrelevant figures that belong to the P/L are included.*

*Deduct **[1]** for one omission including the overall heading provided the B/S is accurately balanced.*

**N.B.** *If the candidate did not follow the IBO format award up to **[3]** marks.*

- (ii) Calculate the acid test (quick) ratio for VT for 2018

**[1]**

Current assets: \$9000

Stock: \$4500

Current liabilities: \$7 500

$$\text{Acid test ratio: } \frac{\$9000 - \$4500}{\$7500} = 0.6$$

*Apply OFR where applicable. Candidates are not required to show workings.*

*Award **[1]** for a correct answer.*

(c) Explain **one** way *VT* could improve its liquidity.

[2]

Ways *VT* could improve liquidity include:

- attempt to operate with a lower re-order level of stock
- sell fixed assets and lease long-term assets
- pay less in dividends
- raise capital, either more share capital or long-term debt.

*Accept any other acceptable and relevant means to improve liquidity.*

*If a candidate proposes negotiating longer trade terms with *VT*'s creditors, award [1]. This response is theoretically correct if all of the funds generated by the longer payment terms are used for no other purpose than building cash. Thus, while theoretically correct (the *ATR* would go up), it is not a particularly useful approach to the problem.*

**N.B.** *The question provides no real opportunity for application and thus application is not expected. However, a response must be relevant to receive full marks.*

## Section B

3. (a) State **two** stages of the product life cycle. [2]

Award [1] per stage identified. Acceptable answers are:

- Introduction
- Growth
- Maturity (or Saturation)
- Decline
- Withdrawal.

- (b) Apply the Boston Consult Group (BCG) matrix to JVS's current product portfolio. [4]

*Award [1] for a basic answer that shows some understanding of the Boston Consulting Group matrix.*

*Award [2] for an answer that shows a good understanding of the Boston Consulting Group matrix. This may be descriptive or in the form of a drawn diagram.*

*Award [3] for an answer that shows a good understanding of the Boston Consulting Group matrix and places both of JVS's products (Izzys and IzzDen) in their correct segments in a BCG matrix or explains their positions. Izzys is a cash cow, IzzDen is a dog.*

*If a candidate correctly links the products to the BCG matrix but provides no explanation. Award [1] for each correctly linked product up to a maximum of [2].*

*Example:*

*Izzy – cash cow*

*IzzDen – dog*

*Award [2].*

*For Izzy – star*

*IzzDen – dog*

*Award [1].*

*If a candidate draws the matrix but does not label the axes but otherwise draws it correctly and correctly links and explains both products to the matrix, award [3]. If a candidate draws the matrix but does not label the axes but otherwise draws it correctly and correctly links one product, award [2].*

**N.B.** Candidates are asked to apply the matrix to JVS's current product range – do not penalize if a candidate **also** includes their proposed product (IzzLess) and places this as a question mark (problem child).

*Award [4] for an answer that shows a good understanding of the Boston Consulting Group matrix and places both of JVS's products (Izzys and IzzDen) in their correct segments in a BCG matrix (or explains their positions) **AND** explains clearly why they are in these segments.*

- (c) Explain **one** advantage **and one** disadvantage for *JVS* of using focus groups for its market research.

[4]

Advantages of focus groups include:

- They can provide detailed information about customer feelings, perceptions and opinions. The introduction of Izzless would represent a risky move by *JVS*, as the mass-market product could undermine Izzy's established reputation as "high end".
- They are cheaper than performing individual interviews. Already, *JVS* spends more on market research than its competitors. By relying on focus groups rather than individual interviews, *JVS* can get detailed information at a lower cost than individual interviews.
- They provide opportunities to clarify any issues or problems. The target market of Izzless is 15 to 19-year-olds, many of whom have low incomes. *JVS* has limited to no experience with this group. Focus groups, which allow for dialogue and back-and-forth, can allow *JVS* to get a clearer idea of issues and potential obstacles.

Disadvantages of focus groups include:

- They can be hard to control and manage. *JVS* will probably have two different types of focus groups: its traditional customers and the new 15 to 19-year-old group who would buy Izzless. Especially with the latter group, controlling and managing them could prove challenging.
- the results are difficult to analyse. Focus group feedback can be inconsistent and contradictory, a problem made worse because of the young age of participants.
- Members may not reveal their own feelings but are swayed by the majority view. This potential problem is true of any focus group but is especially heightened for the product Izzless. Teenagers tend to be more swayed by peer pressure than other groups.
- They may not be representative of the target market as a whole. Unless *JVS* is willing to go to considerable expense to have focus group participants flown in from across its market area (all of Europe), participants are likely to come from a handful of cities, or as few as one or two cities. These participants may not be representative of the whole market.

*Accept any other relevant advantage/disadvantage. However, advantages and disadvantages that could apply to any form of market research should not be credited.*

*Accept any other relevant explanation.*

**N.B.** *Just using the name JVS does not constitute application to the stimulus.*

**Mark as 2 + 2.**

*Award [1] for each correct advantage/disadvantage identified or described and [1] for a relevant explanation with application to JVS. Award up to a maximum of [2].*

*Candidates should not be awarded [2] per advantage/disadvantage if the response lacks either explanation or application.*

(d) Recommend whether *JVS* should launch the new product, *Izzless*. [10]

*JVS* currently only has two products in its portfolio and will cease production of one of them, *IzzDen*, later this year. A business with just one product puts itself in a dangerous position, as if demand for that product falls the business could face losses and possibly failure.

The launch of the new product would take the business into a new market targeting low-income young consumers want to purchase fashion shorts. It would also broaden *JVS*'s distribution channels as it would now use mass market retail discount stores and online delivery – at present the business only sells through high end independent retailers. Low-income consumers may relish the chance to buy shorts that have a brand name that is associated with high quality and designer fashion at affordable prices – this may give *JVS* a competitive edge in this highly competitive market.

However, the move is not without risk. The market is very competitive and *JVS*'s products may not be able to establish a foothold in the market. There is also the danger that this new product may impact of the sales of their cash cow, *Izzys*. This down-market product may damage its brand image, which, according to a marketing expert, is one of the business's major strengths. It would end up with two products aimed at very different markets using premium prices for one product and competitive pricing for the other – this clash of images may not work. Perhaps *JVS* should consider launching a range of shorts at their current target market and work to its strengths.

*Marks should be allocated according to the markbands on page 3 with further guidance below.*

*A balanced response is one that provides at least two arguments for and two arguments against the option of launching the new range of shorts, Izzless.*

*For one relevant issue that is one-sided, award up to [3]. For more than one relevant issue that is one-sided, award up to a maximum of [4].*

*Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.*

*Candidates cannot reach the [7–8] markband if they give judgment/conclusions that are not based on analysis/explanation already given in their answer.*

One argument for or against	Max award, 3 marks
Two arguments for or two arguments against	Max award, 4 marks
One argument for and two arguments against Or Two arguments for and one argument against	Max award, 5 marks
Two arguments for and two arguments against, no conclusion or judgments	Max award, 6 marks

4. (a) Describe **one** role of a vision statement for *HS*. [2]

A vision statement for *HS* is likely to help the organization set its short-term and long-term objectives. It is likely to act as an important driver for recruitment, selection and motivation of its young unskilled workforce made up of school leavers.

*Award [1] for describing one role of a vision statement. Award an additional [1] when candidates apply their response to the stimulus.*

**N.B.** Do not reward responses suggesting that one of the roles of a vision statement is to promote the business.

- (b) Explain how the following can benefit *HS*:

- (i) job enlargement; [2]

Job enlargement will increase the range of skills and tasks able to be performed by the school leavers who may lack direct experience of working in a national chain **and/or** batch production. As recruits will hopefully become future managers, it will be important for effective future leadership in the stores to have experience in all jobs offered by *HS*.

*Award [1] for identification of an appropriate benefit and an additional [1] for an explanation of the benefit and application to the stimulus. Application may not be merely nominal. Be sure that the candidate is explaining the benefit to *HS*.*

- (ii) intrapreneurship. [2]

Intrapreneurship allows for risk taking, creativity and innovation within *HS*. Given the intense competition from the global fast food restaurants, the opportunity to develop new healthy snacks will be vital to maintain market share.

*Award [1] for identification of an appropriate benefit and an additional [1] for an explanation of the benefit and application to the stimulus. Candidates do not have to define what a vision statement is. Rather, they should describe a role. For [2], candidates must also link that role to goals or aims. Application may not be merely nominal. Be sure that the candidate is explaining the benefit to *HS*.*



- (c) Explain **two** possible economies of scale available to global fast food restaurants but not *HS*.

[4]

Possible economies of scale available to the global fast food restaurants include:

Marketing economies of scale: the global fast food companies are likely through their global reach to experience significant economies of scale in marketing/selling across a whole range of markets. *HS* is a national chain and will not be able to spread advertising costs, for example, across a whole range of markets. Unit costs of marketing will be much lower for the global restaurants.

Bulk-buying economies of scale: to develop and meet global demand and to fill supply chains, global fast food manufacturers are likely to achieve significant economies through the bulk-purchase of raw ingredients (a number of fast food manufacturers have vertically integrated with suppliers to ensure that logistics are in place). Again, unit costs of operations are likely to be lower than *HS*'s.

Financial economies of scale: being present in global markets allows global fast food manufacturers to borrow funds for expansion at much lower rates than a national chain. It is indicated in the stimulus that *HS* finances its training and professional development through retained profits.

*Accept any other relevant economy of scale.*

**N.B.** Economies of scale may be without the exact name. For example, “bulk buying discounts” is rewardable. Candidates do not have to say purchasing economies of scale.

**Mark as a 2 + 2.**

*Award [1] for identification of an appropriate economy of scale and an additional [1] for an explanation and application to the stimulus. Application may not be merely nominal.*

*Maximum award per economy of scale: [2]*

- (d) Discuss the two options that Tom is considering for *HS* in response to the intense competition.

[10]

The first option, which is to implement flow production, is likely to lead to an increase in production and productivity because of the new technology and specialized roles. Currently, *HS* uses batch production. With improved productivity, *HS* can increase its portion size without raising prices. As a result, *HS* may be able to compete more effectively with the global fast food manufacturers.

However, the introduction of flow production may result in a reduction in the opportunities for job enrichment and intrapreneurship. If the new production process is going to lead to specific jobs on the production, then apart from job enlargement or rotation, the current employees may become demotivated through a restriction on personal growth and development opportunities. Staff turnover may increase as employees seek more innovative or challenging work. It is likely to be expensive to implement flow production both in terms of the financing and inevitable changes in organizational culture at *HS*.

The second option may be quicker to organize and much cheaper. The online reality TV show will have established *HS* firmly in the minds of existing and potential customers. A social media campaign will amplify the brand value of *HS* and should increase market share.

However, measuring the success of social media on market share will be difficult even though the target market should be familiar with this method of promotion. The biggest factor against this campaign, however, is that as a competitive tool against the global manufacturers there will still be this perceived difference in portion size. A social media campaign will not address this aspect. In fact, there is a danger that negative response to the campaign make reduce market share even further.

Both of the responses have some merit, but it would appear that the first option is the most appropriate to tackle the issue of competition with the global fast food manufacturers. The changes in the production process will take some time to bed in and a few staff may leave to work for other snack food manufacturers who have more dynamic or challenging roles. However, the social media campaign will not close the perceived gap between the products offered by *HS* and those offered by their competitors and, thus, could backfire.

While the candidates are not expected to recommend an option (the question does not ask them to), they should come to conclusions and judgments (for top marks). Candidates may conclude that either option is better or they may conclude that *HS* should do both, given that Option 2 would not be very expensive.

<i>One option, one argument for or against</i>	<i>Max award, 3 marks</i>
<i>One option, one argument for and one against Or Two arguments for or two arguments against</i>	<i>Max award, 4 marks</i>
<i>Two options, balanced (one argument for, one against) and second option, unbalanced</i>	<i>Max award, 5 marks</i>
<i>Two options, both balanced (an argument for and against each) But No conclusions or judgments</i>	<i>Max award, 6 marks</i>

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

5. (a) Define the term *public sector*. [2]

The public sector involves those areas of the economy that are provided by the government and typically include what is deemed government itself (local, regional, state, national) and the various services provided by government, including education, health care, public transportation, police, fire brigades and other functions.

*Award [1] for a basic definition that conveys partial knowledge and understanding or if the candidate merely writes the formula for calculating contribution.*

*Award [2] for a full, clear definition that conveys knowledge and understanding.*

- (b) Explain **one** advantage **and one** disadvantage for CSS of introducing an employee share ownership scheme. [4]

Advantages of introducing an employee share ownership scheme include:

- employees have a greater economic stake in the business and, thus, may be more motivated
- CSS has a means to offer additional compensation to employees that does not increase salary/bonus expenses
- employee share ownership plans usually decrease labour turnover and make it easier to recruit people.

Disadvantages of introducing an employee share ownership scheme include:

- management of CSS, Ebru, will have to answer to shareholders other than herself
- once the plan is in place, it will have administrative and legal costs
- if the business is not publicly traded, valuation of shares may prove difficult.

*Accept any other relevant advantage or disadvantage.*

**Mark as a 2 + 2.**

*Award [1] for identification of an appropriate advantage/disadvantage and an additional [1] for an explanation and application to the stimulus. Application may not be merely nominal.*

*Maximum award per advantage/disadvantage: [2]*

- (c) Explain **one** advantage **and one** disadvantage for *CSS* of implementing a project-based organizational structure (**Change 1**).

**[4]**

Advantages for *CSS* of implementing a project-based organizational structure include:

- improved communication between people with different areas of expertise
- sense of teamwork, which can increase motivation.

Disadvantages for *CSS* of implementing a project-based organizational structure include:

- blurred lines of authority, which may create confusing circumstances for employees
- often, project-based structures are more expensive than traditional structures, as there may be dual levels of management, one on the team and one over groups of teams
- potential for internal conflict within a team.

*Accept any other relevant advantage or disadvantage.*

**Mark as 2 + 2.**

*Award [1] for identification of an appropriate advantage/disadvantage and an additional [1] for an explanation and application to the stimulus. Application may not be merely nominal.*

*Maximum award per advantage/disadvantage: [2]*

- (d) With reference to Adams's equity theory and Daniel Pink's motivation theory, discuss Ebru's decision to eliminate performance-related pay (PRP) (**Change 2**) and to allow employees to spend 20% of their time on any project they wish (**Change 3**).

[10]

Adams's equity theory asserts that employee motivation emerges out of employees' perceived sense of fairness, both between the employee and the firm and among the employees. With respect to the firm, employees must believe that an equitable relationship exists between their inputs (hours work, effort, etc) and outputs (compensation, benefits, etc). With respect to other employees, an employee must believe that fairness exists: that there is an equitable relationship between the inputs of other employees and their outputs.

Daniel Pink's theory of motivation rests on the notion of autonomy, mastery, and purpose. Money is not the chief motivator of professional level employees, but rather their desire for autonomy (or near autonomy) in the workplace, their ability to master their profession or skill set, and their sense of doing something with purpose beyond themselves.

The elimination of PRP could affect some employees' sense of equity. If, before the elimination, employees had considered that an equitable relationship existed between inputs and outputs, they now might think that the relationship is no longer equitable, especially if they continued to work on CSS-assigned projects during their 20% dream project time. Though elimination of PRP would save CSS money, it may negatively affect the motivation of some employees.

On the other hand, Daniel Pink's theory helps to explain why some employees like the changes, especially the introduction of the 20% dream project time. To these employees, money was not the most important consideration, but having the freedom and flexibility to pursue their own ideas. They would have, at least during the 20% time, autonomy. The time would allow them to strengthen their skill set in areas where they were weak or to work on issues that played to the skills they had already mastered. And, by working on a dream project, they had a greater sense of purpose. Giving employees 20% of their time to work on whatever they wanted has the potential to be costly in terms of CSS's core activities. The question is whether it will sufficiently improve employee motivation to make up for the time lost or if it will lead to some valuable new products and services.

*Accept any other relevant evaluation.*

*Marks should be allocated according to the markbands on page 5 with further guidance below.*

*For one of the two motivation theories that is one-sided, award up to [3]. For more than one relevant motivation theories that is one-sided, award up to a maximum of [4].*

*If a candidate evaluates / addresses only one motivation theory, award a maximum of [5].*

*Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.*

*Candidates cannot reach the [7–8] markband if they give judgment/conclusions that are not based on analysis/explanation already given in their answer. **Section C***

Questions 6–8. Please mark the candidate response using the assessment criteria on pages 6–7.

6. With reference to an organization of your choice, examine the impact of **globalization** on human resources **strategy**. [20]
7. With reference to an organization of your choice, examine the impact of **ethics** on organizational **change**. [20]
8. With reference to an organization of your choice, examine the impact of **innovation** and **culture** on an organization. [20]

**N.B.** When the question asks for the application of one concept on another, it is still expected that Business Management content will be aligned with the concepts especially the second concept (the one being acted on).

Please note that candidates can conclude that there was a minimal impact, however it has to be based on balanced arguments and evaluation.

**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 impacts 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.

**Criterion B**

For [1]: "...connection is **inappropriate**" – ignore **superficial**.

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

**Criterion C**

**1 + 1 arguments are expected per concepts.**

- Questions 6 and 7 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 are some balanced arguments – some of which are justified.

**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 occurs. 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 cannot be considered with a "group" of consumers or a management team.*
- *For [4], a balanced response: 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".*

*If a candidate chooses an organization from another part of the exam (for example, an organization in the stimulus of section B), their response should be marked as follows:*

*Criterion A – Award a maximum of [1], as the candidate might understand the essence of the two concepts but the content selected is irrelevant as the organisation is fictitious but the candidate may display some understanding of the concepts.*

*Criterion B – Award [0], as there is no connection to a real organization.*

*Criterion C – Award a maximum of [1]. The arguments cannot be relevant and justified as the organisation is fictitious.*

*Criterion D – Mark as normal.*

*Criterion E – Award [0]. The individual and/or group perspective(s) cannot be relevant if the organisation is fictitious.*

*Specific comments*

**Q6**

*Accept application to human resource strategy. Do not accept operations strategy.*

**Q7**

*Accept any relevant organizational change including a major change in product strategy. For example, diversification.*

*Do not accept the simple adaptation of products to different cultures etc as organizational change.*

*Accept a relevant example that may demonstrate that ethics had minimal or no impact therefore organizational change has not occurred.*

**Q8**

*Candidates can choose any aspect of the chosen organization. They should introduce the chosen aspects.*

*Candidates can choose organizational **or** national cultures **or** both.*