

Markscheme

November 2020

Business management

Standard level

Paper 1

11 pages

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

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

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

Section A

1. (a) With reference to *DA*, outline **two** suitable methods of sampling (line 112–113). [4]

DA used sampling for recognition of brand name. It would have used sampling to set up focus groups and surveys. It also used focus groups in five different European countries for click and fix.

Context can be achieved by making reference to:

- The market(s) that *DA* operate in (mass vs niche)
- The geographical markets (five European countries)
- The need for *DA* to gain information within financial constraints
- The type of information required (brand awareness, customers in Europe etc)

Methods could include:

- quota
- random – may not be suitable as customer population is only a small part of whole
- stratified/systematic – probably for 5 European countries
- cluster
- convenience – most convenient unlikely to be those influenced by brand, bias
- snowball – but for the European market?

Award [1] for each suitable method identified and [1] for a description of how that method relates to DA. Award a maximum of [2] per method. Unsuitable methods cannot get context mark

- (b) Explain the factors that *DA* would need to consider before deciding to outsource some of its production (line 110). [6]

Factors include:

- Quality: *DA* produces high quality products for the top end niche market, would outsourcing produce this quality
- Employment issues: *DA* currently looks after its employees. How would this continue if work is sent elsewhere? Redundancy costs.
- Control: To what extent do they want to keep in control of everything. It's a family business so this may be important
- Costs: They are already under cost pressure. Would outsourcing help or hinder?
- Production issues: Could they benefit from better production techniques at the outsourced business? (No evidence of this in the case)
- Logistical issues: Possibly greater flexibility but no evidence
- Customer issues: Would they know? Would it make a difference? Maybe 'upmarket' customers would prefer locally made products.

Accept any other relevant explanation.

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

Award a maximum of [3] for a theoretical answer, often a pre-prepared textbook answer or if there is only one factor

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

2. (a) Outline **two** STEEPLE factors that have influenced DA's business strategy. **[4]**

The STEEPLE factors are:

Most relevant:

- Economic: Evidence in case of recession, periods of economic growth
- Political: Events in 1940s
- Environmental: issues to do with plastics
- Social: DA's attitudes towards employees and their families
- Technological: Battery technology, new plastics, introducing robots etc
- Legal: No evidence in case – not relevant
- Ethical: Decisions made within DA particularly with regards to culture.

Although STEEPLE strictly refers to external factors reward can be given where external factors have influenced decisions within DA such as its focus on employee welfares (ethics) and its use of technology in design/manufacture.

Mark as 2 + 2.

Award [1] for each relevant factor identified and [1] for a description of how that factor relates to DA. Award a maximum of [2] per factor.

- (b) Explain how knowledge of the product life cycle may have influenced DA's product range. **[6]**

References include:

- Vacuum cleaners launched and then reaching saturation which led to:
- Washing machines at introduction then eventually maturity hence other products
- Some other products in growth, others in decline
- Reversing declining trends by introducing rechargeable batteries
- Extension strategy using click and fix

Throughout the business's life, new products have been introduced when others are in maturity/saturation, and existing products are given revitalized lives through extension strategies. Candidates may draw a product life cycle. This is not necessary but may help the explanation.

Accept any other relevant explanation.

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

Award a maximum of [3] for a theoretical answer or for an answer that does not identify any stages of the product life cycle.

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

3. (a) Outline **one** benefit of Viv’s leadership style **and one** benefit of Salah’s leadership style (lines 82–84). [4]

Leadership styles identified:

Viv: Autocratic when re-establishing business. Benefit is that it got things done and she had very clear determination. Later more democratic when she consulted engineers. Benefit is that manager may have been in a better position. Overall situational which may be appropriate for an evolving business.

Salah: Largely laissez-faire although some elements of democratic. Candidates will have to identify this for themselves. Creative employees work best when left alone – suitable for the innovation division.

There is no need for answers to identify the leadership style – the question is about benefits.

Award [1] for relevant benefit identified and [1] for a description of how that benefit relates to DA. Award a maximum of [2] per benefit.

- (b) Explain suitable sources of finance for **Option B**. [6]

Key factors:

- Amount: It’s a large amount needed.
- Private limited company: so shares could be issued to family members but may not raise a lot. Would family members be able to buy more shares?
- Converting to public limited and raising share on the stockmarket
- Family business: so ownership and control very important so venture capitalists, business angels and other external investors may **not be suitable** unless argued otherwise
- Retained profits: Seems like a major impact on Dividends. Would shareholders be happy with that?
- Loans/mortgages/Debentures: has a policy of internal finance. With disagreement in the business would it be willing to change this policy?
- Leasing the necessary machinery for the option
- Short term sources: Overdrafts, debt factoring, trade credit, hire purchase/leasing not sufficient finance. Short term sources are **not suitable**.
- Sale of assets: **not suitable** - no evidence of underused or unused assets but is contextual with leaseback
- Selling shares on the stockmarket is not suitable unless linked with converting to plc.

Remember the concept of positive marking – full marks can be achieved with more than one suitable method even if some unsuitable methods are identified.

Accept any other relevant explanation.

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

Award a maximum of [3] for a theoretical answer (unsuitable methods) or if there is only one source.

Award a maximum of [5] if the explanation is mainly descriptive, but in context. E.g. if most of the context is mentioned but not developed.

Section B

4. (a) Define the term *retained profit*. [2]

Profit made by the business, calculated after all deductions, including dividends. It is reinvested into the business as an internal source of finance.

Award [1] for a partial definition and [2] for a full, clear definition. This answer does not need to be in context and can be worded differently to the above.

- (b) Using **Table 1**, calculate for **Option B**:

- (i) the average rate of return (ARR) (*show all your working*). [3]

$$\text{Average rate of return (ARR)} = \frac{\text{(total returns – capital cost)}}{\text{years of use} \times \text{capitalcost}} \times 100$$

$$\text{ARR} = \frac{\text{((50 + 150 + 200 + 300 + 400) – 500)}}{5} \times 100 = 24 \%$$

Award [3] for a correct answer which must include %

Award [2] if there are no, or incorrect, units

Award [1] if the working is not shown

- (ii) the payback period (*no working required*). [1]

After 3 years \$400m paid back so needs 4 more months
So payback = 3 years 4 months

Accept alternative formats such as “40 months” or “3 and 1/3 years” or “month 4 of year 4”

Award [1] for correct answer

- (c) Explain **one** advantage **and one** disadvantage for *DA* of replacing the current pay system and benefits with the proposed employment package (**Decision 1**). [4]

Advantages include:

- More motivated workforce as a result of bonuses, higher productivity (possible link to Taylorism)
- Generous redundancy can encourage workers who are thinking about moving out of the village of Ville d’Ablet

Accept any other valid advantage.

Disadvantages include:

- Less certainty for employees in terms of pay, which may affect motivation
- Loss of current benefits will affect morale (possible link to Herzberg or Maslow)
- Likely increase in staff turnover, reduced staff retention and more difficult to recruit staff.

Accept any other valid disadvantage.

Award [1] for each relevant advantage identified and [1] for a description of how that advantage relates to DA. Award [1] for each relevant disadvantage identified and [1] for a description of how that disadvantage relates to DA.

- (d) Using the case study and additional information from Section B, recommend whether *DA* should choose **Option A** or **Option B (Decision 2)**.

[10]

Option A

Advantages include:

- Much larger market
- Some customization of products
- Lower investment cost
- Brand widely recognized so maybe strong market

Disadvantages include:

- May impact on *DA*'s upmarket brands.
- Cheaper raw materials, lower wages, issues with outsourcing.
- *DA* employees may feel insecure
- Ben, Salah, Mia do not like idea

Option B

Advantages include:

- Good return (24 %) and 3 years 4 months payback and is likely to be longer than **Option A** payback.
- Innovative
- Increases sales, strengthens brand loyalty
- New income stream – important because of low profits
- Easy for customers and likely to be popular.

Disadvantages include:

- High investment costs
- Limited sources of finance
- Sales benefits may not last
- Only extends product life cycle – not a new product

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

Theoretical answer or context limited to naming the business or lack of development max [4].

Discussion of only one option marks limited to [5].

Discussion but no clear balance [6].

Options considered, good use of evidence, particularly from section B, but no effective conclusion award a maximum of [8].

For [10] the answer needs to be clearly relevant to DA with good use of context and a clear and supported recommendation.
