

Markscheme

May 2021

Business management

Higher level

Paper 1

13 pages

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The markbands and assessment criteria on pages 3–4 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			<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) Outline **two** benefits for *MM* of outsourcing human resource management (HRM) (lines 51–54). [4]

Possible benefits include:

- *MM* staff are not specialists of HRM: they know a lot about marketing, design and communications, but not about HRM. Outsourcing HRM means that they can focus on their core business, and let specialists from an HR agency deal with all HR tasks (recruitment, contracts etc)
- As *MM* becomes more international, HRM is getting more complex and requires a lot of advanced HR knowledge, as labor laws vary from country to country, for example between UK and India (about working conditions, workers' rights etc).
- Outsourcing HRM will help *MM* deal with difficult situations, which could prove costly (and even give a bad image of *MM* to external stakeholders), for example if they are taken to court by dissatisfied employees, such as the ones who feel bullied by Claire.
- When they have HR questions, for example about payment schemes or holidays, *MM* employees will benefit from working with HR specialists: this will aid communication, which is better for the business.
- Reduction in costs. HRM managers no longer required.
- May lead to a consistency of HR operations across the whole of *MM*

Accept any other relevant benefits.

Mark as a 2 + 2.

Award [1] for each relevant benefit identified and an additional [1] for further outline in context. Award a maximum of [2] for each benefit.

- (b) Explain how *MM* has differentiated itself. [6]

This question assesses candidates' knowledge and understanding of differentiation, both in general (what it means, how it may be achieved) and in the specific case of *MM*.

Companies differentiate themselves from their competitors in many ways, such as:

- through their products (USP of their goods and services), or the range/portfolio of products they may offer their customers;
- through their pricing strategies (e.g. price leadership or premium pricing);
- through the relationships they build with their customers (customer service);
- through their reputation and image (branding);
- through other marketing aspects, such as the packaging they use, or the type of promotion and advertising they do;
- through their ethical objectives (CSR) and particular values they may defend;
- through their workforce (e.g. talented creative workers, cultural diversity);
- through their operations (e.g. what they do, where, how);
- through their innovative practices (e.g. R&D leading to particular product features or performance);
- through their strategies (e.g. franchising, international growth etc).

The case study explicitly mentions about customer service, as *MM* “aims to respond to customers more quickly than others in the industry” (line 65). Other methods of differentiation are implied, for example *MM* has strong ethical objectives (e.g. only accepting customers with strong equal opportunities policies) and highly values cultural diversity (e.g. having multicultural content in the marketing strategies it creates). Their competitors may share those same ethical objectives and value cultural diversity too. The case study does not provide much information about *MM* competitors, yet this is not a problem to answer this question:

Accept any other relevant explanation.

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

Award a maximum of [3] for an answer that shows no real understanding of differentiation even if they make use of relevant context.

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

Award a maximum of [4] for a descriptive answer.

2. (a) With reference to *MM*, outline two sources of finance suitable for taking over the film studio in India (lines 144–147). [4]

The following four sources of finance are suitable:

- loan capital (i.e. long term bank loan, mortgage)
- share capital (either through new shareholders, or by changing MM legal status to public limited company i.e. going public)
- venture capitalists / business angels
- grant / subsidies from the Indian government (to support FDI); this answer is unlikely but acceptable

Sale of assets is a suitable method but there is no context to suggest that this is an option for MM. Award one mark for sale of assets but not the second for context.

Other sources are not suitable (e.g. retained profit, leasing, crowdfunding, overdrafts, trade credits, etc) and must not be credited.

Mark as a 2 + 2.

Award [1] for each appropriate source and a further [1] for an outline of the source in context.

- (b) Explain how a formal system of appraisal may have avoided the problems caused by Clare (lines 86–100). [6]

Candidates are expected to show some understanding of one or more of the approaches to appraisal, including:

- Formative
- Summative
- 360-degree
- Self-appraisal

They apply both to Clare as an appraiser (Claire appraising her staff) and Clare as an appraisee (Clare being appraised by her own line manager). The problems caused by Clare should have been identified earlier on, before they escalated into such a conflict where employees have asked for Clare to be dismissed for harassment (line 99).

Clare seemingly resented the fact that staff in her department went to her own line manager to complain about her behind her back, without telling her directly. A system of formative appraisal may have made her aware of the problems earlier on, if she had regularly and formally asked her staff about their work and their progress. Of course, they may have been reluctant to tell her the truth, which is why a 360-degree appraisal, with anonymous feedback from her staff about her own performance, could have made her aware of the extent of their dissatisfaction and their feelings of being bullied.

Similarly, a summative appraisal of Clare (by her own line manager) could have identified not only Clare's positive results ("Customer satisfaction is very high, and some of the marketing strategies designed by Clare's team have won awards", line 90), but also areas of improvement, for example about how, as a leader, she reflects *MM* core values.

This said, it is not certain that formal systems of appraisal would have avoided all the problems: the way Clare reacted when she heard about her staff feelings ("she was rude to them, blocked their pay rises and threatened them with less interesting work" line 98) implies

that her autocratic style is not aligned with *MM* cultural values. *MM* “considers it important that the organizations with which it works value freedom of expression” (line 60) – clearly Clare herself does not believe that this applies to her staff.

Accept any other explanation.

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

Award a maximum of [3] for a theoretical answer

Award a maximum of [4] for a descriptive answer.

3. (a) Outline **two** reasons why *MM* may relocate all of its operations to Bengaluru (lines 124–142). [4]

Reasons could include:

- Fast growth of *MM* in India / success of the Indian office /will count for 60 % of business by 2025
- Excellent IT facilities in Bengaluru
- Improving infrastructure in Bengaluru
- Lower rents in Bengaluru
- Highly trained potential workforce in Bengaluru
- Bengaluru’s existing film industry
- Push factor: continued (Brexit-related) uncertainties in UK (alluded to in the case)

The question is about relocation to Bengaluru specifically and not India, generally.

Mark as 2 + 2.

Accept any other relevant reason.

Award [1] for each reason identified, up to [2], and award [1] additional mark for appropriate application.

- (b) Explain how the proposed contract with Country X may conflict with *MM*’s ethical objectives (lines 114–123). [6]

MM’s ethics include choice of customer. *MM* takes a firm line on:

- Equal opportunities
- Carbon footprint
- Freedom of expression
- Exploitation of employees
- Cultural diversity

The proposed contract conflicts with *MM* ethics because Country X has been accused of:

- human rights abuses (against equal opportunities, cultural diversity)
- arresting journalists for criticizing the government (freedom of expression)
- persecuting people for religious opinions (diversity)
- doing little to reduce poverty (equal opportunities)
- doing little to improve environmental record (carbon footprint)

The proposed contract could negatively affect the reputation of *MM*. *MM* has worked hard to develop its profile and credibility as an ethical company, but this image could be damaged. This could have negative implications for future contracts, as some current clients may not want to be associated with *MM* any longer. This may be the case of some NGOs that specifically campaign for human rights or carbon footprint – and whose own CSR policies may stop them from working with an agency that does not consistently share the same values. Besides, country X has “arrested journalists for criticizing the government” (line 121) – with the contract, *MM* could give the impression that it condones such practices, and some journalists could create a negative campaign against *MM*, suggesting that its ethical claims are only a smoke screen meant to get them more contracts and more profit.

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*

*Award a maximum of **[4]** for an answer that includes MM ethics and the proposed contract with country X but is lacking development.*

Section B

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

USP (unique selling point/proposition), the feature or features that make a product or service **different (or is differentiated)** from **other similar products** of competitors.

It is the product/service that has the USP, not the business.

Candidates are not required to use the context of MM but should not be penalized if they do.

Award [1] for some understanding.

Award [2] for clear understanding. Candidates do not have to word exactly as above.

- (b) (i) Calculate the debtor days for *MM* at the end 2020 (*show all your working*). [2]

$$\begin{aligned} \text{Debtor days ratio} &= \frac{\text{debtors}}{\text{sales revenue}} \times 365 &= \frac{16}{146} \times 365 \\ &= 40 \text{ days (or just 40)} \end{aligned}$$

Award [2] for correct answer (allow rounding).

Award [1] for an attempt or if correct answer has \$m or million

*As 2020 is a leap year you can allow $16/146 \times 366 = 40.11$ days
If candidates **correctly** use some or all data from 2019, they can be awarded one mark (e.g. $18/175 \times 365 = 37.54$ days)*

Do not reward formula only.

- (ii) Explain **one** method *MM* could use to improve its liquidity. [2]

- Reduce some of the expenditure (planned pay increases, payments to directors, marketing)
- Replace overdraft with longer term loan
- Decrease credit terms to customers
- Change credit terms with suppliers
- Improve stock control e.g. reduce stock levels
- Increase sales
- Sell unused assets, but unlikely

Methods that change the balance between current assets and current liabilities in the right direction should be rewarded. Methods suggested must **improve liquidity** for *MM*

Some methods, such as debt factoring and using cash to reduce overdraft, may improve cash flow but do not improve liquidity so should not be rewarded.

Award [1] for identifying a method and [1] for explaining in context.

Accept any other reasonable reason.

- (c) Explain how the people element of the extended marketing mix has influenced *MM*'s marketing strategy.

[4]

Influences could include:

- training
- aspects of personal selling
- high levels of customer service
- helping customers
- working closely with customers
- after-sales service.

Accept any other relevant reason.

*Candidates need to show the impact on the **marketing strategy** of *MM*.*

e.g. enhanced training may lead to better customer service which would aid marketing leading to the possibility of charging higher prices.

e.g. improved after-sales service can lead to a stronger reputation leading to higher sales/increased market share etc.

Candidates do not need to specifically define the people element of the extended marketing mix but should show understanding.

Award [1] for some understanding of the people element of the extended marketing mix. [1] for a relevant influence and [2] for application/context.

Maximum award overall: [4].

- (d) Discuss how cultural differences within *MM* may influence employer–employee relationships.

[10]

The key factor is that there are offices in the UK and India and customers around the world.

In the UK employers might:

- set up competitive environments
- give employees responsibility
- expect competition
- be more flexible with contracts including employment contracts
- this might mean short term contracts, relying on money as a motivator as well as rewarding initiative and taking on responsibility
- this would allow for flexible structures and informality
- could impact on leadership style which is less likely to be autocratic than other styles
- could impact on employer/employee negotiations – more difficult.

In India employers might:

- have to manage people from a wide range of regional cultures
- emphasize teamwork
- set up hierarchical structures
- expect formality
- this might mean formal structures and clear divisions of responsibility. Money likely to be less of a motivator. Individual initiative will be less strong

- could impact on leadership styles, more likely to be autocratic.

Candidates are expected to largely make use of the evidence in Section B but can take evidence from the wider case evidence.

Candidates may focus some of their answer on possible cultural differences between the owners, however marks may be limited by the lack of context used.

Candidate may make reference to the work of Charles Handy on different types of culture (power; task etc.). Whilst not required it is a valid line of discussion.

Candidates need to show the impact on **employer/employee relations** at *MM*

Accept any other relevant discussion.

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

For an answer with no effective use of context (theoretical answer) award maximum [3].

For an answer that does not focus on the impact on employer/employee relations award a maximum [4]

Award [4] if comparisons are presented as an undeveloped list.

For an answer that is lacking balance e.g. only looks at one country; only looks at advantages etc. award a maximum [6].

Both sides of discussion considered but descriptively max [6].

Both countries considered, good use of evidence, particularly from section B, but with no/limited effective comparison/evaluation award a maximum of [8].

For [10] marks a fully supported comparison/evaluation with good use of evidence, particularly from section B.