

Markscheme

May 2021

Business management

Standard 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			
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 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 describes MM ethics and the proposed contract with country X.*

Section B

4. (a) Define the term *social marketing*. [2]

Social marketing is the use of commercial marketing tools and techniques (such as market research; defining objectives and targets; creating and promoting brands; preparing strategies and plans; setting actions and budgets etc) in order to influence individuals' behaviour, to improve their well-being and/or that of society as a whole. Unlike commercial marketing, the aim is not to encourage purchase, but to raise awareness and lead to change.

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 (students are not expected to word their definition exactly as above).

- (b) Using **Table 1**:

- (i) calculate the current ratio for *SF* for 2020 (*show all your working*); [2]

$$\begin{aligned} \text{Current ratio} &= \frac{\text{current assets}}{\text{current liabilities}} \\ &= \frac{4 + 10 + 16}{25} = \frac{30}{25} = 1.2 \end{aligned}$$

This can also be expressed as "1.2 : 1".

Award [2] for correct answer, showing the working Award [1] for or a correct answer with units or a percentage sign, or an incomplete answer (such as 6/5) or if the candidate calculated the current ratio for 2019 (answer: 1.33)

Do not reward formula only.

- (ii) suggest **one** reason why *SF* may have a liquidity problem. [2]

Liquidity is a measure of how quickly current assets (stock, debtors, cash) can be converted into cash (cash being already liquid anyway). A liquidity problem means that the company may struggle to pay off its short-term debt obligations.

In the case of *SF*, possible reasons include:

- Current assets are decreasing faster than current liabilities, reducing the current ratio from 1,33 (in 2019) to 1,2 (in 2020), which is further away from the ideal of 1.5
- Direct cash has decreased more than the 'less liquid' current assets (stock and debtors) – in fact, the value of stock has doubled from 2019 to 2020. A film studio should not keep so much stock anyway.
- The acid test ratio has decreased from 1,26 (in 2019) to 1,04 (in 2020); an acid test ratio of less than 1:1 could mean that the business is not in sound financial health; it may be unable to pay its short-term debts.

Accept any other reasonable reason.

Use OFR.

Credit candidates who calculated the acid test ratio.

Award [1] for a basic answer that conveys some understanding of a reason why SF may have a liquidity problem. The answer may be short or descriptive, showing some partial knowledge of what current assets/liabilities/ratio are, and/or what liquidity means.

Award [2] for an answer that conveys knowledge and understanding of a valid reason why SF may have a liquidity problem. The answer shows both theoretical understanding and application to SF.

- (c) Explain **two** factors that may influence the motivation of employees at SF. **[4]**

Factors could include:

- Time pressures – does not allow SF employees to work at a comfortable speed, which may create stress and does not enable them to be creative, which is paradoxical as they work in the creative industries;
- No overtime: no reward for extra work, in a context of low pay scales (only managers are financially rewarded with bonuses: absence of financial rewards for SF employees)
- Autocratic leadership style – may not suit some employees, especially in the creative industries.

The answer must be explicitly about SF, not about MM, even if some aspects could be relevant for both.

Accept any other relevant factor.

Mark as a 2 + 2.

Award [1] for an appropriate factor in context and for an explanation, which may include a theoretical reference (for example: to Pink or Herzberg) Award a maximum of [2] for each factor. Maximum award overall: [4].

- (d) Recommend whether MM should take over SF. **[10]**

Arguments for:

- Will reduce production costs (Aarvan), which may make MM more competitive
- The owner wants to sell, so price might be good
- SF has a good reputation
- Comfortable with social marketing, which may match MM's ethics
- Used to meeting customer demands and deadlines
- Fits well with MM strategy to focus on its growth in India/Asia

Arguments against:

- Several cultural differences between MM and SF, for example SF managers receive financial rewards such as bonuses, and SF has an autocratic management style
- Not enough experience with short films
- Limited experience of promotional films
- Has always worked for Indian customers: may lack international awareness
- How may SF employees react to the take-over?

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 a maximum of **[3]**.*

*For an answer that only looks at one side, award a maximum of **[5]**.*

*Both sides of argument considered but descriptively, award a maximum of **[6]**.*

*Both sides considered, good use of evidence, particularly from section B, but no effective conclusion/evaluation award a maximum of **[8]**.*
