

# Markscheme

May 2016

Business management

Higher level

Paper 1

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

<b>Section B Q4 (d)</b>	<b>Level descriptor</b>
<b>Marks</b>	
<b>0</b>	The work does not reach a standard described by the descriptors below.
<b>1–2</b>	<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 theory are explained or applied and business management terminology is lacking.</li> <li>• Little reference to the stimulus material.</li> </ul>
<b>3–4</b>	<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>
<b>5–6</b>	<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>
<b>7–8</b>	<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>
<b>9–10</b>	<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>

**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.

<b>Marks</b>	<b>Level descriptor</b>
<b>0</b>	The work does not reach a standard described by the descriptors below.
<b>1</b>	Two or fewer of the structural elements are present, and few ideas are clearly organized.
<b>2</b>	Three of the structural elements are present, or most ideas are clearly organized.
<b>3</b>	Three or four of the structural elements are present, and most ideas are clearly organized.
<b>4</b>	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.

<b>Marks</b>	<b>Level descriptor</b>
<b>0</b>	The work does not reach a standard described by the descriptors below.
<b>1</b>	One individual or group perspective is considered superficially or inappropriately.
<b>2</b>	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
<b>3</b>	At least two relevant individual or group perspectives are considered appropriately.
<b>4</b>	Balanced consideration is given to relevant individual and group perspectives.

## Section A

1. (a) Describe **one** benefit for Henri Trouvé’s father of his unique selling point (USP) (lines 5–7). [2]

Henri’s father’s USP was “personal customer service” / “free delivery”. Benefits to Henri’s father include:

- satisfied customers who will make return purchases
- satisfied customers who will advertise via word of mouth and bring in new customers
- he would gain a sense of achievement and pleasure from satisfied customers
- ability to charge more because of the added value from customer service
- customer loyalty.

*Accept any other relevant benefit described.*

**N.B.** *the business is a sole trader so candidates can talk about either the father or the business.*

*Award [1] for stating a relevant benefit, or a general theoretical understanding of USP, or a vague description.*

*Award a maximum of [2] for a clear description of a relevant benefit with application to Henri’s father.*

- (b) Describe **one** feature of *TM*’s marketing strategy. [2]

Possible features include:

- *TM*’s marketing strategy is based on low price with other elements of the mix supporting that strategy
- it is based on a diverse product range.

*Award [1] for a simple statement of an element of the marketing mix, eg pricing, or for mention of low price strategy without development.*

*Award a maximum of [2] for describing the feature in relation to *TM*’s marketing mix, eg, using low price strategy in the context of *TM*, eg retail outlets.*

- (c) Explain the advantages for *TM* of internal growth rather than external growth. **[6]**

Advantages include:

- more able to retain more control
- easier to manage and coordinate
- no need to seek synergy
- can use tried and trusted managers
- creates career opportunities for employees with a known employer
- franchising was unsuccessful
- has enabled *TM* to expand stores, services and markets
- possible retention of future profits
- *accept any other relevant advantage.*

Explanation should come from at least two advantages stated.

Relevant stimulus material includes: unsuccessful franchising; successful expansion into new stores/markets/services; its systems of rigid controls which would be easier to maintain and might not work through external growth.

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

*Award a maximum of **[3]** for a theoretical answer, or for only explaining one advantage.*

*Award a maximum of **[5]** if the explanation of at least two advantages are not developed but in context.*



2. (a) State **two** benefits for *TM* of having aims (line 18). [2]

An aim is where the business wants to go in the future – a statement of purpose.  
It gives a business:

- a sense of direction
- something by which to measure progress
- a focus for employees/departments
- a framework for decision making
- a motivational tool
- *accept any other reasonable benefit.*

*Award [1] for each benefit, up to a maximum of [2].*

- (b) State **two** reasons why *TM* should consider using e-commerce (line 84). [2]

Reasons why *TM* should consider using e-commerce could include:

- greater efficiency
- larger markets
- competitors are doing it
- allows for dynamic pricing
- more convenient for customers
- *accept any other relevant reason.*

*Award [1] for each reason, up to a maximum of [2].*

- (c) Explain the interests of **one** of *TM*'s internal stakeholders.

[6]

Internal stakeholders are likely to be employees and managers. Allow shareholders, but not any other type of owner.

Employee interests are likely to be:

- decent working conditions
- competitive wages
- secure employment
- contracts
- rights to belong to a union.

Manager interests are likely to be:

- all the above, plus the tools to manage effectively.

Shareholder interests are likely to be:

- a decent return
- good prospects
- being kept informed
- a say in major decisions.

**N.B.** *analysis should come from explaining how TM affects their interests.*

Relevant stimulus material includes:

- *TM*'s growth, which gives employees opportunities and securities, managers opportunities for advancement and new challenges and shareholders growth
- autocratic approach to management: could make managers' jobs easier, but unlikely to be accepted by workers.
- *TM*'s aims of keeping wages at a minimum: could lead to higher profits for shareholders, goes against what employees might want.

*Accept any relevant stakeholder interest and explanation.*

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

*Award a maximum of [2] if the stakeholder chosen is external.*

*Award a maximum [3] for a theoretical answer, or if only one interest in context.*

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

**N.B.** *for example, mentioning “pay” is theoretical but “keeping wages to a minimum” is contextual; “job security” is non-contextual, however, “have no chance of getting another job” is contextual.*

**N.B.** *if more than one stakeholder is chosen only award marks for the best answer.*

3. (a) Describe **one** benefit for *TM* of low labour turnover (lines 38–39). [2]

Low labour turnover can mean:

- a company with low turnover is generally quite productive. This is because the employees know and trust each other and are better at their specific roles. However, working relationships at *TM* are not good.
- employees are likely to be more loyal to the company and more willing to devote their personal energy to the job. However, there is unlikely to be strong motivation at *TM*.
- low turnover makes it easier for the company to focus its time and energy on the business at hand rather than adapting to new staff.
- recruitment and training costs are likely to be lower – important because *TM* always aims to reduce costs.

*Accept any other relevant benefit.*

*Award [1] for stating a relevant benefit but not linked to *TM* and award an additional [1] for a description of how the benefit might affect *TM*. Award a maximum of [2].*

- (b) Describe **one** benefit for *TM* of improving its corporate social responsibility (CSR) (line 46). [2]

CSR is a set of policies designed to demonstrate a commitment to the well-being of society by considering the impact of business activity on all stakeholders.

Benefits include:

- greater public awareness
- enhanced image
- customer loyalty
- reduced risks of negative publicity
- marketing opportunities.

*Accept any other relevant benefit with a description.*

*Award [1] for stating a relevant benefit but not linked with *TM* and award an additional [1] for a description in context of *TM*. Award a maximum of [2].*

- (c) Explain the appropriateness of Henri Trouvé’s paternalistic leadership style at *TM*.

[6]

Examples that give hints as to Henri’s leadership style include:

- Keeping quiet about two young employees and protecting them from dismissal.
- He resents having to clock in and likes Delphine’s leadership – warm and encouraging.
- He seems to see some merit in Pink’s ideas and wonders why *TM* do something completely different.

These suggest a soft approach to leadership and support the idea that he is a paternalistic leader.

The above contrasts with *TM*’s hard approach to management/leadership:

- Controls all aspects of employee performance
- Regimented/centralized approach
- No empowerment
- Some suggestions that employees are dissatisfied.

Whether or not it is appropriate can be explained both ways. It may not be what *TM* want, but it may help employees in their day-to-day working lives in what appears to be a hostile working environment.

*Accept any relevant explanation.*

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

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

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

***N.B.*** *candidates do not necessarily need to cover “appropriateness” in their response to be awarded [5–6].*

## Section B

4. (a) Define the term *quality control*. [2]

Quality control is a system of improving quality based on inspection and testing. It is normally at the end of a process and uses sampling.

*Accept any other relevant definition.*

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

*Award [1] for some understanding of quality issues, eg a definition of quality assurance or TQM.*

*Award [2] for a clear definition similar to the answer above.*

- (b) Explain two reasons why just-in-time (JIT) lean production might be useful to *TM*. [4]

JIT involves the managing of inventories of raw materials, work-in-progress and finished products so that these are available exactly when they are needed and not before.

Since *TM* is predominantly a retailer and not a producer, JIT refers mainly to deliveries of products from suppliers. This is because production is subcontracted and outsourced to many suppliers including in China.

It is useful to *TM* because:

- it minimizes storage space, and increases retail space
- it can reduce costs, particularly opportunity costs, important as *TM* wants to be low cost
- retail outlets rely on fast turnover of goods to avoid obsolescence and this is helped by JIT
- demand may be unpredictable, particularly with some products sold by *TM* such as electronics
- opportunity costs such as reduced capital tied up in stocks.

The answer can be about JIT stock control. The context can be that *TM* is a retailer, or cutting cost of sales.

**Mark as 2+2.**

*Award [1] for identification of a relevant reason. Award an additional [1] for explaining this reason in relation to *TM*. Award a maximum of [2] per reason. If there is no application to *TM* award a maximum of [2] in total.*

**N.B.** *If candidates only comment on disadvantages, award a maximum of [2].*

- (c) Explain **two** factors that demotivate employees at *TM*. **[4]**

Factors in the case study possibly leading to demotivation include:

- Strict control
- Low wages
- Autocratic approach
- No pay rises for three years
- Senior managers, owners doing very well, in contrast
- *Accept any other relevant factor.*

Context is almost automatic so the second mark is usually for explanation.

**Mark as 2+2.**

*Award [1] for identification of a relevant factor. Award an additional [1] for explaining this factor in relation to TM. Award a maximum of [2] per factor. If there is no application to TM award a maximum of [2] in total.*

- (d) At the next evening class, Henri and his class talk about the financial information that the tutor has provided (line 86). The students create the following tables:

	2015	2014
Gross profit margin (%)	19.1	24.7
Net profit margin (%)	0.9	5.6

	As at December 2015	As at December 2014
Inventory/stock turnover (number of times per year)	14.8	13.5
Debtor days ratio (number of days)	24.6	21.2
Creditor days ratio (number of days)	61.5	41.7
Current ratio	1	2
Acid-test/quick ratio	0.60	1.35
Gearing ratio (%)	28	26

Using the tables above and any other information, discuss **two** possible strategies that *TM* could use to improve its financial ratios.

[10]

Profitability (efficiency) ratios:

- Gross profit margin (GPM) down suggesting either falling sales, or increasing cost of goods sold.
- Net profit margin (NPM) down to almost nothing. Because a much larger fall than GPM suggests relative increase in operating costs. Out of control?

Liquidity ratios:

- Current ratio halved. Well below guideline 1.5 – however this is a retail business so may not need high current ratio. Is this because of falling stocks / JIT policy or reduced debtors or increased creditors?
- Acid-test/quick ratio halved, and well below recommended level of 1. Suggests that stock is not the main problem.

Efficiency ratios:

- Debtor days ratio shows small increase in the time it takes debtors to pay. This may suggest poor credit management since this is a retail business.
- Creditor days ratio shows a larger increase than debtor days. This business is able to get favourable credit terms from suppliers so may not be a problem.
- Little change in inventory/stock turnover.
- Little change in gearing.

Possibilities strategies include:

- Seek cheaper suppliers to increase GPM. However, this has already been done with many suppliers in low-cost countries. How achievable is this? Would quality be compromised even further?
- Control operating costs to increase NPM. Wages would be a major cost. May be difficult to reduce because workers have not had a pay rise for some years. Could reduce payments to senior management, but how much would that save? Redundancies? Would it reduce customer services? Other costs likely to be fixed. How could these be reduced?
- Improve credit control to reduce debtors. How would customers react? Is credit for customers' part of *TM*'s low cost strategy?
- Increase sales to try to improve profitability.
- Greater push for better JIT.

*Accept any relevant discussion.*

*Marks should be allocated according to the markbands on page 4 with further guidance below.*

*For [1 to 2] ratios are quoted in a meaningless or purposeless way, or simply lifted from the stimulus material. There is general discussion about liquidity ratios, etc, without application to TM.*

*For [3 to 4] candidates show some understanding of the financial issues facing TM, but little understanding is shown of the ratios. Simplistic comments are made. There is no effective attempt to identify solutions. If good understanding is shown of financial ratios without reference to TM award a maximum of [3].*

*Alternatively for [4] candidates may have made appropriate comments on the ratios without developing strategies for improving the ratios, or the strategies are unrealistic/unrelated to the problems identified.*

*For [5 to 6] candidates may have identified issues to do with the ratios based on limited understanding (eg, statements such as “profits are failing”, “current ratio has gone down”) with limited interpretation, and then drawn appropriate, but unsupported strategies.*

*Award a maximum of [6] for answers that **only** develop one strategy.*

*For [7 to 8] candidates are expected to have made effective use of ratios relevant to the strategy and identified some problems. Strategies for improving the ratios may not have been fully justified.*

*Award a maximum of [8] for answers that **only** look at profitability ratios **or** only look at liquidity ratios.*

*For [9 to 10] candidates are expected to have developed two strategies using appropriate ratios to support their recommendation.*



### Section C

5. Using the case study and the additional information above, recommend possible approaches that *TM*'s management could take to prevent the potential conflict from negatively affecting *TM* in France.

[20]

**Prior to the letter**, relevant issues include:

- a regimented/autocratic approach to management
- detailed instructions, strict rules
- low wages
- strict control of workers
- considerable evidence of poor morale
- Henri thinks the workforce is treated badly.

**N.B.** some candidates will focus on these issues which are prior to the letter and so ignore aspects of conflict resolution approaches. They can be rewarded for this, but this will be limited because they only partially address the key question.

In addition to the issues above, there were few job opportunities in France, labour turnover at *TM* was low and this is likely to continue because of the economic conditions in France.

**Following the letter**, the situation is going to get worse from the employees' point of view. *TM* is also trying to take away the right to belong to a union. The picture looks bleak.

Those who do address conflict resolution approaches might recommend:

- conciliation and arbitration
- employee participation and industrial democracy
- negotiate with the unions
- no-strike agreement
- single-union agreement
- fight it out
- modify the more extreme of the proposals
- seek better ways of co-operating with employees
- take a less confrontational approach.

*Accept any other relevant issue/discussion/recommendation.*

**N.B.** if a candidate responds to this question without any reference to the additional stimulus material (the additional material that comes with question 5 in the examination paper), the maximum mark that the candidate can receive under criteria A, B, C, and E (all the criteria except structure) is [2] per criterion. Award a maximum of [12] overall.

*Marks should be allocated according to the assessment criteria on pages 5–6 with further guidance below.*

**Criterion A: possible theories, management tools and techniques** are: conflict resolution approaches, industrial relations: unions, impact of economic conditions, management/employee relations, HRM, motivation theory (such as Pink, Herzberg, Taylor), corporate social responsibility (CSR), ethics, management/leadership, stakeholders.

*For [4]: at least two tools, techniques and theories understood and developed well with some relevance to the additional stimulus material.*

*For [2]: some understanding of at least two tools, techniques or theories, but not developed.*

**Criterion B: the tools, techniques, theories and stimulus applied** to the relationship between *TM* and its employees (autocratic, low wage, strict procedures, French economic conditions, imposed changes).

*For [4]: relevant tools, techniques and theories are applied well to the case study context and additional stimulus material, the application is convincing and relevant.*

*For [2]: some limited context/application but not developed. Use of tools limits candidate's ability to make reasoned arguments.*

**Criterion C:** possible options for management approaches to conflict resolution identified, **discussed** in balanced way, **conclusions drawn** as to whether they work.

*For [4]: relevant arguments made well and justified/substantiated related to issues raised in the additional stimulus material.*

*For [2]: some limited arguments but not justified.*

**Criterion D:** introduction, a body, a conclusion, fit-for-purpose paragraphs, logical structure.

*For [4]: all four elements present, clearly organized.*

*For [2]: either three elements present, or mostly clearly organized, but not both.*

**Criterion E: Stakeholders:** Henri, employees, unions, managers, customers, the owners might also be considered.

*For [4]: two or more individuals **and** groups are considered in a balanced way.*

*For [2]: one group or individual considered appropriately, or both individuals **and** groups considered superficially.*

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