



**General Certificate of Education (A-level)
January 2012**

Business Studies

BUSS4

(Specification 2130)

**Unit 4: The Business Environment and
Managing Change**

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in students' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Students give accurate definitions of relevant terms. Students can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Students should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Students will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Students use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, students may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Students evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or it can also be shown within a conclusion, perhaps by weighing up the strength of the student's own arguments for and against a proposition. Students will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where students are required to produce extended written material. Students will be assessed according to their ability to: <ul style="list-style-type: none"> • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate The assessment of the quality of written communication is included in Assessment Objective 4 .

Essay marking

Evaluation occurs when a judgement is made.

Good evaluation is likely to include:

- a well supported judgement of the specific question set addressing the key issues and coming to a clear conclusion
- judgements that build directly on and weigh up the arguments made in the essay and pull these arguments together in a well structured response to address the question
- elements of evaluation throughout.

Reasonable evaluation is likely to include:

- some judgements are made and supported, however, they do not fully answer the specific question set and/or are not building effectively on the arguments in the essay
- there may be a series of reasonably supported judgements but these are not brought together to provide an overall answer to the question set
- there may be judgements of individual arguments but no overall judgement of the set question.

Limited evaluation is likely to include:

- judgements are made but these may be unsupported or lack development. They may be mainly based on assertion or have only basic explanation.

Overall advice

When considering the judgements made in an essay, look at the essay as a whole and the arguments that have been made in the response. Consider the extent to which the judgement builds on the arguments presented and the extent to which it addresses and reaches a conclusion regarding the question as set.

Application occurs when a student relates their arguments or judgement to a context such as a business, the industry, some aspect of a business such as its scale that is relevant to the question, real world events or real world data.

Good application is likely to include:

- arguments that are consistently based on the context provided by the question, eg relevant businesses, relevant industries, relevant cases, relevant reference to data
- the effective use of data/businesses/cases which perhaps compares and contrasts examples in its arguments, combines examples or provides a depth of application from the range of relevant effective examples that have been used
- a response in which the reference to the context is integral to the arguments.

Reasonable application is likely to include:

- some use of context is used in the argument providing support to the response but this is not substantial enough for the response to feel well rooted overall in the context provided
- some arguments are supported by examples but the context is not referred to consistently and/or examined in depth
- examples are explained but require greater links to the argument.

Limited application is likely to include:

- some reference is made to the context but without development
- the use of examples is descriptive and provides only limited support to the arguments made.

Analysis occurs when there is a chain of argument.

Good analysis may occur when:

- a relevant argument is well developed - it provides logical, well reasoned examination of a relevant, significant issue in the question, eg analysing the cause of a change or the effect of a change and examining the links between the different stages of the argument
- key appropriate arguments are analysed effectively and consistently.

Reasonable analysis may occur when:

- the argument(s) are developed examining some of the stages in a logical argument but not following it through fully to its conclusion
- the analysis is rather general rather than directly focused on the question
- the same argument may be used repeatedly or the argument lacks some precision, focus or appropriateness.

Limited analysis may occur when:

- basic development of points; the elements of an argument are referred to but left undeveloped, eg only one stage in an argument is explained.

General notes

- when awarding good application or analysis there may be one example in the essay where the depth provided is 'good'. However, you should be willing to stand back at the end of the essay and review the argument as a whole and on this basis award good application or analysis
- be careful of a collection of descriptive stories; the volume of examples here does not mean the application is good if the examples do not support an argument
- be careful of chains of argument that have several stages to them but are generic, not precise and not well considered or thought through in relation to this question; this may be reasonable rather than good
- be prepared to follow an argument through - it may develop from one paragraph to another. Equally a judgement at the end of an essay may in fact be building on earlier analysis (similarly an assertion at the start of a paragraph may be supported by the following analysis)
- if application or analysis is limited then it remains in Level 1 however many times it is demonstrated
- skills can be demonstrated at the same time - a well developed chain of argument supported by industry or business insight could be good application and good analysis. A judgement may be based on the context and well reasoned demonstrating judgement, analysis and application.

Section A

1

Total for this question: 40 marks

With reference to your own research and the item above, do you think that governments should make corporate social responsibility (CSR) compulsory for businesses?

Definition:

Corporate social responsibility refers to the extent to which organisations accept obligations to society.

Relevant answers might include the following:

- may mean that stakeholders have a better picture of the business, ie greater transparency and standardisation
- may be good for businesses to find out their impact on different groups and this may lead to better decisions, eg may learn from working with stakeholders and may not have done this unless pushed
- benefits to stakeholders, eg may protect various groups from exploitation and unfair treatment
- may ensure businesses compete on a level playing field within a country
- possible effects on the competitiveness of a country's businesses
- if some businesses are doing it already, is there a need for government intervention?
- there may be difficulties deciding on what is acceptable and desirable, especially defining exactly what is required by organisations in a wide range of very different industries
- will it work or will businesses find a way around the rules; would it be better to encourage this behaviour rather than force it?
- how will it be enforced? What will be the costs of enforcement? Will these outweigh the gains?
- whatever standard of behaviour is set, we may always expect/want more so it may be difficult to agree when a business is or is not responsible
- is government intervention necessary with more stakeholder pressure?
- will all governments agree on intervention? Do they need to? If not, will the costs of one country's business be higher than others?
- may be that governments make some aspects of CSR compulsory (as is already happening in areas such as the impact of business activities on the environment).

Analysis is likely to come from an examination of the case for and against making CSR compulsory.

Application could come from the given item and from students' own research.

Evaluation could come from judgements. A good response must provide a judgement on whether governments should make CSR compulsory (rather than a judgement on, eg whether CSR is a good thing). Judgements may focus on, eg whether this is feasible, whether it is necessary or whether the benefits outweigh the costs (eg of enforcement).

2

Total for this question: 40 marks

With reference to your own research and the item above, to what extent do you think that businesses now need to make behaving more responsibly their main corporate objective?

Definition:

Corporate social responsibility refers to the extent to which organisations accept obligations to society.

Corporate objectives are the overall targets set for the organisation.

Relevant answers might include the following:

- the benefits of more responsible behaviour
- the costs of more responsible behaviour
- the value of making responsible behaviour an objective
- possible conflict with other objectives
- what other businesses in a market are doing; the expectations of stakeholders
- could discuss the significance of the word 'now', is there more pressure than there was?
- could question the word 'need' as opposed to, eg 'want'
- does it have to be the 'main' objective; what is the significance of this?
- could question the word 'more' – how much more? In which areas?
- does behaving responsibly have to take prominence over other objectives or can it complement them?

Analysis could consider the case for and against businesses behaving more responsibly.

Application could come from the given item and from students' own research.

Evaluation could come from judgements. A response might make a judgement on whether making this behaviour should be the main corporate objective (as opposed to whether it should be an objective). Judgements may consider whether this is more likely/more essential 'now' than it was.

Section A level descriptors

Level	Descriptor	Marks	
L5	Application/analysis	Both good	26–23
L4	Application/analysis	1 good and 1 reasonable	22–18
L3	Application/analysis	Both reasonable or 1 good and 1 limited	17–13
L2	Application/analysis	1 reasonable and 1 limited	12–8
L1	Limited response	answer based primarily on knowledge	7–1

NB: Reasonable application must have evidence of research.

For Evaluation, you should award marks using the grid below:

Note: Evaluation also assesses students' quality of written communication. When deciding on the level to be awarded, consider the degree to which the student orders his/her ideas.

Level	Descriptor	Marks
E3	Good evaluation with evidence of research. Ideas are communicated using a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	14–11
E2	Reasonable evaluation with evidence of research. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	10–6
E1	Limited evaluation. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	5–1

Section B - Essays

3

Total for this question: 40 marks

Novartis, a large multinational pharmaceutical company, recently diversified by buying Alcon, in a £24.8 bn deal. Alcon is a producer of eye care products such as contact lenses. Google has diversified by investing £124 m in a wind power business. To what extent is diversification the best strategy to achieve profitable growth? Justify your answer with reference to Novartis, Google and/or other organisations that you know.

Relevant answers might include the following:

By diversifying, a business is moving away from its core activities. A strategy is a long-term plan to achieve an objective; this may involve high levels of investment, high risk and be difficult to reverse.

Answers may consider the case for and against this strategy as opposed to other strategies, (such as cost minimisation, differentiation, market penetration, market development and new product development) and make a justified conclusion.

In the **analysis**, students may examine this form of growth in relation to other forms. For example, analysis may include an examination of the risks of diversifying and the dangers of not understanding the market or the key factors for success.

Application may focus on features of the organisations/scenarios in the question. For example, it may consider the resources available to Novartis, the amount of money involved and any potential overlap with its existing business. Or it may consider the scale of Google's investment relative to the size of the business, or how different this particular business is compared to Google's core business.

Application may also focus on other organisations. Answers do **not** have to refer to the organisations in the title. Students may well use the context of the businesses to make judgements.

In the **judgement/evaluation**, students may refer to factors such as:

- the impact on short-term vs long-term profits (eg diversification may require heavy investment up front and reduce short-term profits more, but provide more long-term profits by making the business less vulnerable to changes in existing markets)
- the degree of risk, ie it may be the best way of achieving profitable growth if managers are willing to take the risk (ie it may not be the safest way)
- the skills, experiences, competences of the business, eg is there a proven ability to control businesses in different markets
- conditions in the existing markets, eg are profits falling there? Saturation?

Good responses will make a clear judgement on whether diversification is the best strategy (as opposed to just making a judgement on whether the advantages outweigh the disadvantages, ie making a judgement on whether it is a good strategy is not as strong as making a judgement on whether it is the best).

Good responses also need to refer to the context of 'profitable' growth in some way (as opposed to whether this is simply the best way of growing).

4

Total for this question: 40 marks

Over the past few years, Nokia has been losing market share to more innovative smartphones, such as the Apple iPhone. Some analysts argue Nokia has been too cautious in its approach. To what extent will a 'cautious' business inevitably experience further falls in its market share? Justify your answer with reference to Nokia and/or other businesses that you know.

Relevant answers might include the following:

A cautious business may assess risk carefully, may plan rather than use intuition, may be slow to react or does not react, may be less innovative, may not be prepared to take risks. Being cautious may have positive or negative effects.

Analysis may consider factors such as a cautious business:

- not being prepared to take risks and therefore rejecting some projects that other organisations might go ahead with and potentially missing out on successful products and market share. Developing innovative products and even creating new market segments may require a risk taking culture
- wasting less resources on failed projects enabling more resources to be focused on projects that are likely to have better paybacks and rates of return
- being cautious may mean steps are taken to reduce risk (eg greater market research and greater testing) and increase the chances of success and therefore increase market share
- losing market share may not be due to being cautious but due to, eg the quality of the product, the level of customer services, the competitiveness of your offering compared to competitors.

Application may refer to the context or business in the question. For example:

- in this industry, the rate of change is very fast and so it may be necessary to make quick decisions even if you do not have all the information you may want (ie you may have to take more risks than you might want)
- in this industry, you may be launching very innovative products and this inevitably involves high risk because there is not much past data to work with and because of technical problems that may be involved in pioneering new technology
- Nokia has very visibly struggled recently and has bought in a new Chief Executive (Elop) and formed a partnership with Microsoft to turn around the business situation
- the success of Apple may be due to design and the quality of its innovation rather than a lack of caution.

Application may refer to any other organisation that may be perceived as cautious, eg was slow to react or did not commit fully to a project or perhaps did not take the risks that others did.

Evaluation may focus on:

- whether it is inevitable that market share falls; may depend on what projects you do go ahead with
- whether being cautious simply means you get it right more often or whether it means you reject a lot of ideas that could have helped sales. You can be cautious and still have many successful product launches
- depends on what competitors such as Apple are doing, eg whether it is launching more innovative products by taking more risks. It may be that Apple is also cautious but is putting more resources into research and development and may have a better vision of where the market is going, better design or better quality, ie caution may not be the determining factor with regards to market share.

A good response may focus on the links between being cautious and a loss of market share; it may address the question of whether this link is inevitable or not.

5

Total for this question: 40 marks

Bovis Homes Group plc, a leading UK house builder, had to review its corporate plans as a result of the recession and major cuts in government spending on building projects. Given the high levels of change in economic and political environments, is there any point in corporate planning? Justify your answer with reference to the house building industry and/or other organisations or industries you know that have been affected by such changes.

Relevant answers might include the following:

Corporate planning develops an overall direction and strategy for a business. This influences the functional plans within the organisation. It can include contingency planning. Recession occurs when there are two successive quarters of negative economic growth.

Analysis may consider factors such as:

- the benefits of planning to help communicate, coordinate and control the business operations. The corporate plan will inform the function plans. Corporate planning enables, eg budgeting and workforce planning
- the problems of planning if the assumptions made are quickly outdated and therefore, the danger is that the wrong decisions are made
- the difficulties of operating without a plan; how can decisions be assessed? How do departments know what they are supposed to do to contribute to the overall success of the organisation?

Application may relate to the business, industry or political and economic environments. Students may refer to specific changes in the political and economic environments that have occurred. In this case, the changes were major and a result of an unexpected recession. Answers may provide relevant examples from other businesses or industries in relation to political and economic change.

Evaluation: the point in corporate planning may depend on factors such as:

- how the information was gathered, eg how up-to-date is it? Who was asked? How good was the plan and how flexible is it?
- Is there a contingency plan?
- whether the plan is reviewed. In the case given, Bovis is reviewing its plan so it is not locked into an out-of-date business approach
- the view that the high level of change means planning is even more important to develop an appropriate strategic response
- even at times of high level change this does not mean that it is all unexpected, several of the political and economic changes at the moment have been foreseen for some months. Change may mean planning occurs for shorter periods but does not mean you are unable to look ahead and plan.

Answers may analyse the value of corporate planning, the limitations of this approach and make an overall judgement of its value in the conditions described. A response should place the judgement of corporate planning in the given context (eg high levels of change in these environments) rather than a general judgement on whether the advantages of planning outweigh the disadvantages.

Section B level descriptors - Essays

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E2	Reasonable evaluation. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	10–6
E1	Limited evaluation. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	5–1