International Baccalaureate®
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MARKSCHEME

November 2014

BUSINESS AND MANAGEMENT

Higher Level

Paper 1

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

Section A			
Q1 (c)	**Q2 (c)**	**Q3 (c)**	**Level descriptors**
Marks 0–7			
0			• No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2			• Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No reference is made to the information in the case study.
3–5			• A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • Some reference is made to the information in the case study, not just to the name of the organization. • At the lower end of the markband responses are mainly theoretical.
6–7			• A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • An analysis/examination that uses appropriate terminology throughout the response. • Explicit references are made to the information in the case study.

Section B	Level descriptors
Q4 (d)	
Marks 0–8	
0	• No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2	• Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of judgments and/or conclusions. • No reference is made to the information in the case study.
3–4	• A description with some knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • No evidence of judgments and/or conclusions. • Some reference is made to the information in the case study, not just to the name of the organization. • The response is mainly theoretical.
5–6	• A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses relevant and appropriate terminology. • Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding. • Explicit references to the information in the case study are made at places in the response.
7–8	• A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis. • Explicit references to the information in the case study are made throughout the response.

Section C Q5 (d) Marks 0–9	Level descriptors
0	• No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–3	• Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No reference is made to the information in the case study and/or the extension material within Section C.
4–6	• A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • Some reference is made to the information in the case study and/or the extension material within Section C, not just to the name of the organization. • At the lower end of the markband responses are mainly theoretical.
7–9	• A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • An analysis/examination that uses appropriate terminology throughout the response. • Explicit references are made to the information in the case study and/or the extension material within Section C.

Section C	Level descriptors
Q5 (e)	
Marks 0–12	
0	• No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–3	• Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of synthesis of information from the case study, the extension material in Section C and, where applicable, from other responses within Section C. Information is merely lifted and copied into the response. • No evidence of judgments and/or conclusions. • No reference is made to the information in the case study and the extension material within Section C.
4–6	• A description with some knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • No evidence of synthesis of information from the case study, the extension material in Section C and, where applicable, from other responses within Section C. Information is merely lifted and copied into the response. • Evidence of judgments and/or conclusions that are no more than unsubstantiated statements. • Limited reference is made to the information in the case study and the extension material within Section C. • The response is mainly theoretical.
7–9	• A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology. • At places in the response information from the case study, the extension material in Section C and, where applicable, from other responses within Section C is (synthesized and) integrated to provide a basis for analysis and evaluation. • A response that includes judgments and/or conclusions that have limited support and are underpinned by a balanced analysis. • Explicit references to the information in the case study and the extension material within Section C are made at places in the response.
10–12	• A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • Information from the case study, the extension material in Section C and, where applicable, from other responses within Section C is proficiently (synthesized and) integrated to provide a basis for analysis and evaluation. • A response that includes judgments and/or conclusions that is well supported and underpinned by a thorough and balanced analysis. • Explicit references to the information in the case study and the extension material within Section C are made throughout the response.

SECTION A

1. (a) **Describe *two* methods of recruitment that *GP* may have used to recruit a new manager for *The Imperial*.**   *[4 marks]*

*GP* may have used the following methods:
- internal recruitment (recruiting only within the existing employees, specifically targeting the ones in supervisory or mid-management positions)
- external recruitment through job advertisement (in Mombasa, or nationally or even internationally)
- external recruitment through a recruitment agency (for example, specializing in hotel management)
- personal recommendation ("word-of-mouth") for example, from the previous manager or from a *GP* representative who had visited *The Imperial*
- *accept any other relevant method.*

Mark as 2 + 2.

Award *[1 mark]* for each method identified, and *[1 mark]* for the description of the relevance of that method to *The Imperial*. Award up to a maximum of *[2 marks]* per method.

(b) **Construct an organization chart showing the levels of hierarchy at** ***The Imperial.*** *[4 marks]*

Overall, the organization chart is likely to look like this:
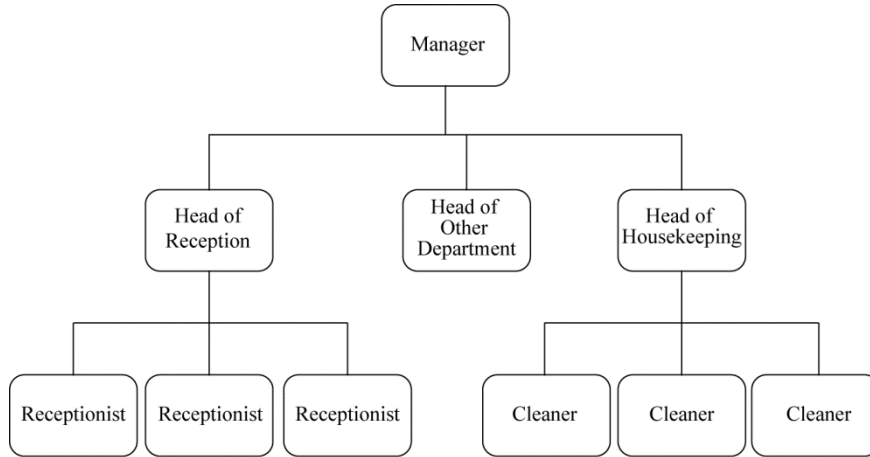
The names of the postholders (*eg* Martin, Susan, Guthoni) are not necessary. Candidates will not be penalized if they do not mention those names; however the names of the posts themselves (*eg* "Manager", "Head of Housekeeping") are essential.

Award *[1 mark]* for identifying the top level of the hierarchy ("manager"; accept "general manager" or "CEO").

Award *[1 mark]* for identifying the middle level of the hierarchy *ie* middle management ("Head of Reception", "Head of Housekeeping"; both titles do not need to be present; candidates could also add others such as "Head of Restaurant").

Award *[1 mark]* for identifying a lower level of the hierarchy.

Award *[1 mark]* for the overall shape of the organization chart.

N.B. do not reward *GP* as a level as the question is about *The Imperial*.

Award up to a maximum of *[4 marks]*.

(c)   **Analyse the advantages *and* disadvantages for *GP* of using a SWOT analysis.**   *[7 marks]*

A SWOT analysis has several advantages:
- the acronym is well-known (strengths, weaknesses, opportunities, threats)
- the framework is easy to understand (positive aspects: strengths and opportunities; negative aspects: weaknesses and threats)
- it is an expected element of the study of any organization
- a key advantage of the model is that it covers both internal and external aspects.

This is good for *GP*, as it provides a simple and yet comprehensive overview of internal aspects (such as the internal tensions and conflicts around Susan's leadership style, as a weakness) and external ones (such as the increasing competition from other high-quality local hotels, as one of the threats).

A SWOT analysis however has several disadvantages:
- it would only give a snapshot of *The Imperial* at a particular time (for example, the liquidity problems, as a weakness, are only relevant during certain months of the year)
- it would also need to be revised regularly, following changes in the internal environment (for example if the quality of the hotel was deteriorating, as a new weakness) or in the external environment (for example, if tourism to Mombasa was suddenly decreasing or stopping, following an outburst of terrorist activity)
- it produces many ideas, but without any sense of priority nor solution or decision
- it is also likely to be based on opinions and therefore subject to bias.

Accept any other relevant advantage and disadvantage with relevant analysis.

N.B. candidates are **not** asked to do a SWOT analysis. The question is about the advantages and disadvantages of using the model.

If an answer only consists of a SWOT analysis, award a maximum of *[2 marks]*.

If an answer is one-sided award a maximum of *[5 marks]*.

If an answer has no context award a maximum of *[3 marks]*.

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

2.   (a)   Martin constructed a position map (*line 60*). With reference to *The Imperial*, describe what this position map may look like.   *[4 marks]*

The position map is a diagram which shows a product (or in this case: an organization, *The Imperial*) in relation to its competitors (other local hotels). Martin will have chosen two key variables for the axes *x* and *y* (for example price and quality, or reputation and price), with scores ranging from low to high. Martin will have positioned *The Imperial* on that diagram (hence the name "position map") as well as the other hotels it competes with.

Accept any other relevant description.

Award *[1 mark]* for each valid element of the answer, up to a maximum of *[4 marks]*.

N.B. candidates are **not** asked to draw a position map. They may do so if they wish, in order to illustrate their answer. Candidates will not be penalized if they do not draw the diagram. The command term is "describe" so candidates' answers could be textual. If a diagram has no reference to *The Imperial*, award a maximum of *[2 marks]*. For *[4 marks]* the diagram would need to be fully-labelled, as illustrated below. (The chosen axes and the position of *The Imperial* will vary.)
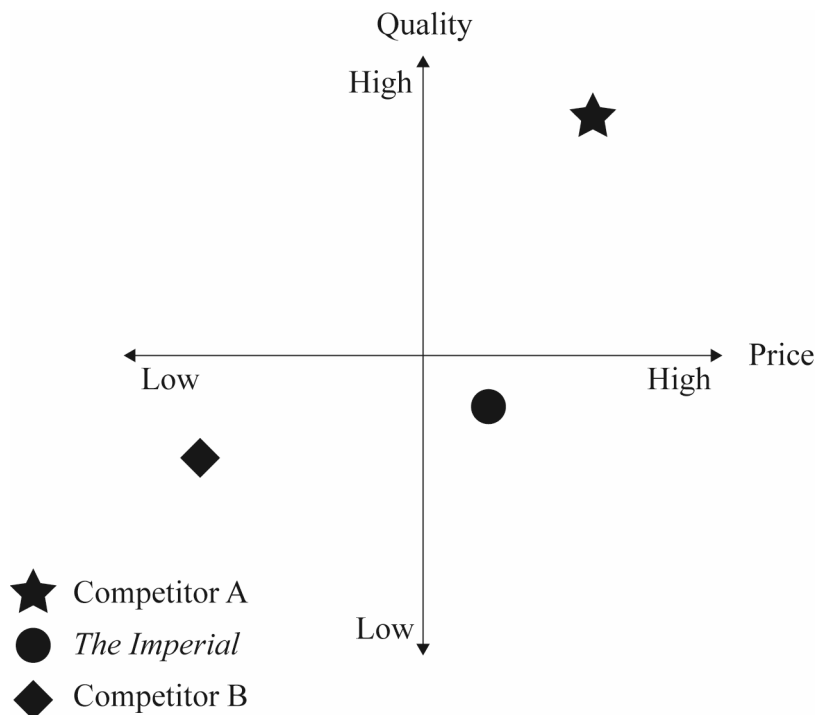
(b) **Using Maslow's motivation theory, explain** *two* **reasons why Martin had applied for the job of manager at** *The Imperial*. *[4 marks]*

Martin was working as a receptionist, then Head of Reception, at *The Imperial*. He had a full-time job, so to use Maslow's motivation theory, his lower-order needs were fulfilled (physiological needs: food, shelter; safety needs: security, income).

The case study also mentions the fact that he has a wife called Anima and two lovely daughters, so his love/belonging needs are fulfilled as well.

For Martin, applying for the job of manager was an ideal way to fulfil his needs in terms of esteem (self-esteem, achievement, respect by others) and even self-actualization: pride to be "managing the hotel where his father had been a groundskeeper years earlier" (*lines 46–47*).
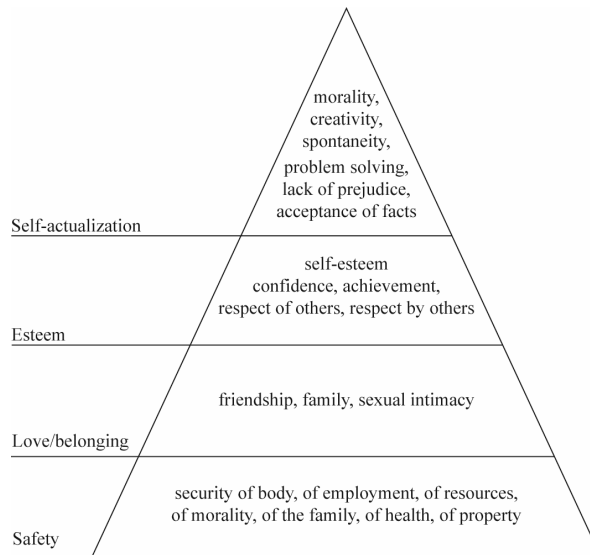
[Source: Clark, P. *et al*., 2009, *Business and Management Course Companion*, page 125, Glasgow, U.K. Oxford University Press]

Accept any other relevant explanation.

Mark as 2 + 2.

Award *[1 mark]* for each valid reason identified and *[1 mark]* for each explanation (with a direct link to Maslow). Award up to a maximum of *[4 marks]*.

N.B. candidates are **not** asked to draw Maslow's pyramid of needs. They may do so if they wish. Candidates will not be penalized if they do not draw it. If an answer only consists of a diagram, award a maximum of *[2 marks]*.

(c)   **With reference to *The Imperial* and to *one other* business that you have studied, analyse the importance of leadership styles in an organization.**   *[7 marks]*

Leadership styles: autocratic, laissez-faire and democratic are important in all organizations. They help understand and explain how managers (both senior managers and middle managers) relate to their employees.

Leadership styles at *The Imperial*: Susan is rather autocratic (which explains the tensions with the cleaners that she manages, and even the threat of industrial action), whereas Martin appears as more conciliatory (which is typical of a laissez-faire or situational leadership style). In the case of Susan and Guthoni, the misunderstandings that have happened might be based more on a lack of communication (if Susan had known about Guthoni's health problems, she might have reacted differently, not dismissing her) rather than on Susan's leadership style alone.

The same ideas about leadership can be observed in other organizations; leadership styles are largely due to the personality of the leader, though other factors may come into play, such as the organization's culture (for example: employees' expectations, or their experience with previous managers). Leadership styles are important to a certain extent, however they are often based on stereotypes. The reality of leadership is more complex.

Accept any other relevant analysis.

N.B. by contrasting leadership styles, candidates can implicitly develop ideas of importance.

If only one leadership style is analysed award a maximum of *[5 marks]*.

If no application to *The Imperial* award a maximum of *[3 marks]*.

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

3.   (a)   Describe the importance of monitoring the cash flow at *The Imperial*.   *[4 marks]*

Cash flow is the movement of money in and out of a business. It can refer to actual cash flows or forecast cash flows.

Monitoring cash flow is important to avoid cash shortages which could lead to liquidity problems, *ie* a situation where the business does not have enough money to pay its bills and debtors. It is also useful in managing expenditure, planning and decision making.

In the case of *The Imperial*, cash inflow mainly comes from the hotel operations (rooms), as well as other services (restaurant, special events); Martin calls them "profit centres" (*line 67*). Cash outflow will include all expenditure (staff wages, energy bills, maintenance *etc*).

Cash-flow problems can happen at *The Imperial* in the short term because of the seasonality of hotel operations: in some months of the year, *The Imperial* has fewer customers (so less cash inflow) but still has substantial cash outflow – this imbalance is the reason why Martin needs to "implement strategies for dealing with those liquidity problems" (*line 66*).

Accept any other relevant description.

Award *[1–2 marks]* for a limited answer that conveys partial knowledge and understanding. Such an answer is likely to define cash flow *[1 mark]*, and make reference to the factors influencing cash flow *[1 mark]*, but without considering the importance of monitoring the cash flow.

Award *[3–4 marks]* for a full, clear description that conveys knowledge and understanding of the importance of monitoring cash flow at *The Imperial*. For *[4 marks]* the answer will refer precisely to the case study.

(b) **With reference to Craig Chapman's orphanage and to *one other* non-profit organization that you have studied, explain *two* objectives of non-profit organizations.**   *[4 marks]*

Non-profit organizations may have different objectives (which, by definition, are not about making profit). It could be a humanitarian motivation, as in the case of Craig Chapman's orphanage. It could also be for lobbying/campaigning purposes, either on a global scale (in the case of pressure groups such as Amnesty International and Greenpeace), or on a local scale (in the case of action groups protesting, for example, against the construction of a new airport or motorway).

Accept any other relevant objectives and relevant explanation.

Mark as 2 + 2.

Award *[1 mark]* for each relevant objective identified, and *[1 mark]* for the development/exemplification of that objective. Award up to a maximum of *[2 marks]* per objective.

(c)   **Examine how changes in the external environment may impact upon**
   The Imperial's **operations.**   *[7 marks]*

Changes in the external environment may include a range of aspects, some that
are identified through a PEST analysis (political changes, economic changes,
socio-cultural changes, technological changes).

Changes that are specific to the business environment in which *The Imperial*
operates include:

Political: Although Kenya is a stable country, political turmoil is always possible
(as in the neighbouring countries, see *lines 15–16*), which could lead to a decrease
in the number of foreign tourists going to Mombasa. This would negatively affect
the operations of *The Imperial* (and the hotel's profit levels); in turn, *GP* would
have to review the target profits (*line 24*) and the objectives.

Economic: Changes to the economy may have two dimensions: improved
economic conditions in the countries from which customers originate could have a
positive impact on *The Imperial*. Changing economic conditions in Kenya could
have an impact on interest rates, exchange rates, wages. All of which have an
impact on *The Imperial's* operations costs and therefore profits.

Sociocultural changes: All sorts of possibilities. For example, if *The Imperial*
were featured in a very famous film, thousands of international tourists would
want to go there (and Martin could then try to push for faster renovation and
modernization of parts of the hotel, to cater for the sharp increase in demand, or
he could raise *The Imperial's* prices substantially).

Technological changes: *The Imperial's* competitors are already far more advanced
technologically. Customers, too, use technology much more for finding hotels
and booking them. If *The Imperial* does not keep up to date it will lose further
market share.

N.B. competitor's behaviour can be considered as an impact.

Accept any other relevant examination.

N.B. to reach the highest markband, candidates must refer to more than one type
of change.

For an answer with no context award a maximum of *[3 marks]*.

For only one change award a maximum of *[4 marks]*.

Award a maximum of *[2 marks]* for internal factors.

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

SECTION B

4. (a) **"They [the employees] decided to go on strike…"** (*line 114*). **Describe** *two* **methods,** *other than* **a strike or negotiations, that the employees at** *The Imperial* **could use in order to achieve their objectives.** *[4 marks]*

The employees could use methods such as go-slow, work-to-rule and overtime ban:

- "go-slow" (also called "slowdown") is a form of industrial action ("job action") whereby employees perform their duties but with a reduction in efficiency or productivity; for example in the hotel, the employees who clean the rooms would still do it, but could spend 30 minutes instead of 20 minutes for one room.
- "work-to-rule" (also called "Italian strike") is a form of industrial action whereby employees strictly observe the rules and clauses of their contract, and may follow all regulations very closely, which may be disruptive for *The Imperial* – for example in the restaurant, all waiters could sit down and stop working for 15 minutes, in the middle of the service, saying "our contract states we are allowed 15 minutes break every 3 hours".
- "overtime ban" is a form of industrial action whereby employees limit their working time to the contractual minimum, and refuse to do extra-work (overtime) even when they are asked to do so (and could be paid extra); for example the employees could refuse to work overtime to replace Guthoni who has been dismissed.

Accept any other relevant method such as conciliation/arbitration (but not both), resigning on mass, but ***not*** *forming a trade union.*

Mark as 2 + 2.

Award *[1 mark]* for each relevant method identified and *[1 mark]* for the description of that method **in the context of** *The Imperial*. Award up to a maximum of *[2 marks]* per method.

N.B. the second mark is for an application to the context of *The Imperial* (as opposed to a generic definition).

(b) **"Once a year, the manager and a representative from *GP* would meet to calculate the break-even quantity…"** (*lines 24–25*). **Explain *two* limitations of using a break-even analysis for *GP* and *The Imperial*.** *[4 marks]*

A break-even analysis has several limitations:
- Prices, revenues and costs are assumed to be constant, but in reality, this may not be the case.
- Break-even analysis assumes that fixed costs are constant, but for example the land taxes paid to the Kenyan government could change.
- Likewise, it assumes a linearity in variable costs, which may ignore economies of scale (or diseconomies of scale) which could happen in the restaurant (for example with bulk buying).
- *The Imperial* could also have a range of prices for the rooms, or offer discounts – price elasticity is not taken into account.
- Other factors may also impact upon the forecasts. Prices and costs are estimates/forecasts that may not be realistic.

Accept any other relevant limitation with explanation.

Mark as 2 + 2.

Award *[1 mark]* for each relevant limitation and *[1 mark]* for each explanation. Award up to a maximum of *[2 marks]* per limitation.

If there is no relevance to *GP* or *The Imperial* award a maximum of *[2 marks]*.

(c) **Explain why *The Imperial* should develop and implement new strategies designed to change customer perceptions.** *[4 marks]*

The Imperial's competitive position is in decline. New hotels with more modern images are growing rapidly. *The Imperial's* market share is declining. Something needs to be done to attract customers. The current perception is one of being old and out of date.

An entire paragraph explains that the hotel has long-term marketing challenges (*lines 48 to 61*). A key problem is the image of the hotel, with its "colonial charm" (*line 52*) looking "old-fashioned" (*line 53*). Martin's three strategic options all imply some changes in the product itself, even with a new name (*line 134*) as the name *The Imperial* refers to a colonial past that may deter some potential customers (although some others may precisely seek this). It is not clear who the hotel is targeting; Martin could identify his precise target markets and communicate with them, which would help him change their perceptions: if there is a demand for an old-fashioned colonial charm, this is what he should emphasize, as its history gives *The Imperial* a USP that all the brand new, modern, high-tech hotels do not have.

Award *[1 mark]* for each valid point and *[1 mark]* for each explanation up to a maximum of *[2 marks]* per point.

N.B. candidates are not asked to explain four separate points.

If there is no reference to *The Imperial* award a maximum of *[2 marks]*.

(d)   **Evaluate** *two* **alternative methods of non-financial rewards,** *other than* **empowerment, that Martin could use at** *The Imperial***.**   *[8 marks]*

Martin could use the following methods:
- job enrichment
- job enlargement
- teamwork
- delegation (although not on syllabus, it is acceptable if candidates suggest using this)

(fringe benefit payments are regarded as "financial rewards").

Accept other relevant methods of non-financial reward.

Job enrichment means that the employee would have a wider range and complexity of tasks – for example a cleaner could have the potential to manage their own workload, or carry out different duties and would gradually be given tasks to help the team of receptionists, widening his/her area of work and competence (literally "making their job richer"). The hotel would benefit, as this person is likely to be more motivated and loyal to the organization (and maybe less likely to go on strike, or act against the interests of Martin and *The Imperial*) – however they would also require some training.

Job enlargement means that employees would have greater scope in their jobs, for example a room cleaner could clean the restaurant as well as rooms. This would not necessarily mean gaining extra experience so employees might feel exploited. It may be difficult in a hotel as the jobs are already being done and without growth there would not be more work to do.

Teamwork can be beneficial all round. Most people enjoy being part of a team (Maslow, belonging) and it would be easier for managers to manage and implement change. Teamwork would suit a hotel, *eg* teams of cleaners, teams of receptionists *etc*. However, it might introduce non-productive competition and might not suit everyone.

Accept any other relevant evaluation eg job rotation, staff development provided these are linked to the employee, not The Imperial, improved working conditions.

N.B. if the candidate evaluates only one method of non-financial reward, award a maximum of *[5 marks]*.

For a one-sided discussion award a maximum of *[5 marks]*.
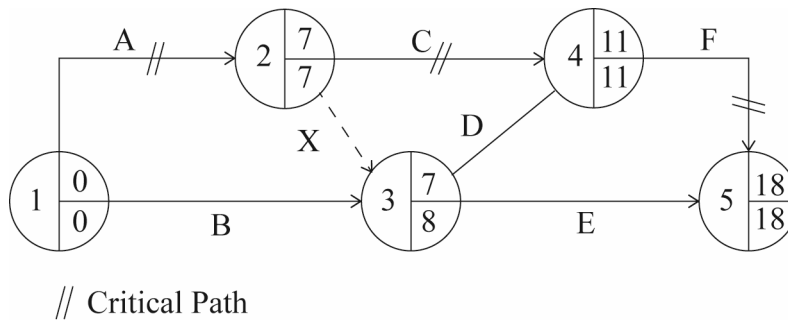For unsupported judgment award a maximum of *[6 marks]*.
For non-contextualized answers award a maximum of *[3 marks]*.
For financial rewards only, award a maximum of *[2 marks]*.

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

SECTION C

5. **(a)** **Copy the network diagram from Item 1 and identify the critical path.**   *[2 marks]*

// Critical Path

N.B. no marks are awarded for just copying the critical path diagram.

Award *[1 mark]* if a candidate marks some path, **or** indicates some sense of what is the critical path (*eg* the incorrect path is identified). For example, *[1 mark]* can be awarded for stating one correct activity on the critical path.

Award *[2 marks]* if the candidate marks, or states the correct critical path. Award a maximum of *[2 marks]*.

(b) **With reference to Item 1:**

(i) **explain the purpose of the dummy activity X.**   *[2 marks]*

X is a "dummy activity". Dummy activity nodes allow accurate demonstration of task dependency when one task is dependent on an activity (C is dependent only on the completion of A) while other activities are dependent on the completion of more than one activity (both D and E are dependent on the completion of both A and B). Without dummy nodes, certain types of task dependency could not be shown.

Award *[1 mark]* if the candidate provides some limited explanation. Award *[2 marks]* if the candidate clearly explains the purpose of the dummy activity. Candidates may receive *[2 marks]* for a clear explanation even if they do not use the term "dummy activity".

(ii) **calculate the free float *and* the total float for activity B.**   *[2 marks]*

Free float $= \text{EST(next activity)} - \text{duration} - \text{EST} = 7 - 4 - 0 = 3$ months

Total float $= \text{LFT} - \text{duration} - \text{EST} = 8 - 4 - 0 = 4$ months

Award *[2 marks]* if the candidate correctly calculates both floats. If a candidate calculates only total float or only free float award a maximum of *[1 mark]*.

N.B. if the candidate demonstrates some understanding of calculating floats award *[1 mark]*.

(c) **Using the information from Item 3, calculate:**

   (i) **the average rate of return for the six-year forecast for *modified* Option 1 (*show all your working*).**   *[2 marks]*

   $$\text{Net cash flow} = \$m(0+3+12+21+30+36) - \$51m = \$51m$$
   $$\text{Average annual ncf} = \frac{\$51m}{6}$$
   Net profit per annum: US$8.5m
   $$\text{ARR} = \left(\frac{(\$8.5m \times 100)}{\$51m}\right) = 16.7\% \,(\textit{allow rounding})$$

   Award *[2 marks]* for working and correct answer. Award *[1 mark]* for working with mistakes or partial working.

   Award *[1 mark]* for the correct answer (no working).

   (ii) **the payback period for *modified* Option 2.**   *[1 mark]*

   Payback is 4 years.

   Award *[1 mark]* for the correct answer (no working required).

(d)   Analyse *NWF's* human resource plan for *The Imperial*.   *[9 marks]*

N.B. **candidates could use the HR information on page 4 and/or Item 2 in their response.**

NWF's human resource plan has certain advantages and disadvantages for *The Imperial* **or** any other relevant stakeholder.   The main advantages could include:
*   The human resources policies at *The Imperial* would align exactly with policies at all other businesses owned by the *NWF* of Kumali. Such alignment makes for clear lines of communication as well as for alignment of aims, vision, strategy, tactics, and operational decisions throughout *NWF* businesses.
*   *The Imperial* would have staff trained to the highest standards, with a "global face", to advance the reputation of *NWF* of Kumali businesses, not just *The Imperial*.
*   Dismissing all or some of the former staff (modified Option 1, 2) *The Imperial* would have very few legacy issues and could shape a new corporate culture consistent with its corporate culture at other *NWF* of Kumali businesses.
*   *The Imperial* should have among the finest hotel staff in the world.
*   Promoting Susan may help, Martin may keep his job.

The disadvantages of the human resource plan could include:
*   Its implementation is expensive at all stages: recruitment, induction, training, ongoing professional development.
*   By having a "global" workforce, *The Imperial* will lose some of its character as a Kenyan "institution."
*   The old corporate culture, for all its problems, included great pride in working for the hotel and, in some cases (like Martin), pride that there was a family connection to *The Imperial*.
*   The new, highly trained employees would be attractive to other hotels, who might try to recruit them away after *The Imperial* had spent so much money recruiting, inducting, training, *etc*, them.
*   Dismissing all, or some of the staff would create problems with the people involved and create adverse publicity. Some may also regard this as unethical.

Accept any other relevant analysis.

N.B. in making an argument, most candidates will probably stress either the advantages or the disadvantages. "Balance" in the response should include some attention to both advantages and disadvantages as well as some attention to more than one kind of issue (cost, calibre of hotels, corporate culture, *etc*).

For an answer without balance award a maximum of *[6 marks]*.
For an answer without reference to *NWF's* plans award a maximum of *[3 marks]*.

Marks should be allocated according to the markbands on page 5.

(e)   **Using information contained in the case study and Items 1 to 5, recommend to
          NWF which *modified* Option 1 *or* 2 should they implement.**   *[12 marks]*

It should be recognized that, given time constraints, answers are likely to include a
much narrower range of issues and concepts than identified below. There is no
"correct" answer. Examiners **must** be prepared to award full marks to answers which
synthesize and evaluate even if they do not examine all the stimulus materials. It is to
be expected that the answer will include relevant information from the case study,
extension material and Items 1 to 5 and employ a range of business concepts, tools
and terminology.

Modified Option 1 key issues:
- 18 month closure, lost revenues and disruption.
- employees lose their jobs with no guarantee of being re-employed – would they
  want to go back?
- it would be difficult for employees to eventually meet *NWF's* HR guidelines.
- brand new hotel, loses identity.
- Susan gets major role, taking Martin's work. What would Martin think? Could he
  work with Susan?
- much bigger investment than **modified** Option 2.
- payback slightly longer than **modified** Option 2, ARR better.
- lots of scope for delay of project.
- data shows growing markets, increasing hotel revenues.
- what's the market like for a top of the range hotel?

Modified Option 2 key issues:
- at least it gives the existing staff a chance to find other jobs.
- the retained staff could improve their chances of retaining their jobs through
  working hard, proving themselves or retraining.
- much shorter disruption period (9 months) with less loss of revenue in years 1
  and 2.
- housing market very mixed:
  - positive aspects include a booming property market, rising prices, evidence of
    overseas investment.
  - negative aspects include: speculation which may not continue
  - possible downward pressure on property prices from interest rate rises,
    improvements in overseas markets.
- there is evidence of demand for apartments.
- the hotel side of the business would benefit from the golf course and developments
  making Kenya an attractive golfing destination.
- risk would be spread between two enterprises.
- less attractive financially, although smaller investment than **modified** Option 1.

Award a maximum of *[7–9 marks]* where both the case study **and** Items 1 to 5 have
not been used, *ie* only one set of data.

Accept any recommendation as to which modified option to choose.

Award a maximum of *[10 marks]* if there is no substantiated recommendation.
Award a maximum of *[7 marks]* where there is no balanced discussion.
Award a maximum of *[6 marks]* if only one option is considered.
Award a maximum of *[4 marks]* if there is no use of relevant data.

Marks should be allocated according to the markbands on page 6.