



# **MARKSCHEME**

**November 2014**

**BUSINESS AND MANAGEMENT**

**Standard Level**

**Paper 1**

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The markbands on pages 3–4 should be used where indicated in the markscheme.

Section A			Level descriptors
Q1 (c)	Q2 (c)	Q3 (c)	
Marks 0–7			
0			<ul style="list-style-type: none"> <li>• No knowledge or understanding of relevant issues, concepts and theories.</li> <li>• No use of appropriate terminology.</li> </ul>
1–2			<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues, concepts and theories.</li> <li>• Little use of appropriate terminology.</li> <li>• No reference is made to the information in the case study.</li> </ul>
3–5			<ul style="list-style-type: none"> <li>• A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories.</li> <li>• Some use of appropriate terminology.</li> <li>• Some reference is made to the information in the case study, not just to the name of the organization.</li> <li>• At the lower end of the markband responses are mainly theoretical.</li> </ul>
6–7			<ul style="list-style-type: none"> <li>• A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories.</li> <li>• An analysis/examination that uses appropriate terminology throughout the response.</li> <li>• Explicit references are made to the information in the case study.</li> </ul>

<b>Section B</b>	<b>Level descriptors</b>
<b>Q4 (d)</b>	
<b>Marks 0–8</b>	
<b>0</b>	<ul style="list-style-type: none"> <li>• No knowledge or understanding of relevant issues, concepts and theories.</li> <li>• No use of appropriate terminology.</li> </ul>
<b>1–2</b>	<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues, concepts and theories.</li> <li>• Little use of appropriate terminology.</li> <li>• No evidence of judgments and/or conclusions.</li> <li>• No reference is made to the information in the case study.</li> </ul>
<b>3–4</b>	<ul style="list-style-type: none"> <li>• A description with some knowledge and/or understanding of relevant issues, concepts and theories.</li> <li>• Some use of appropriate terminology.</li> <li>• No evidence of judgments and/or conclusions.</li> <li>• Some reference is made to the information in the case study, not just to the name of the organization.</li> <li>• The response is mainly theoretical.</li> </ul>
<b>5–6</b>	<ul style="list-style-type: none"> <li>• A response with relevant knowledge and understanding of relevant issues, concepts and theories.</li> <li>• A response that uses relevant and appropriate terminology.</li> <li>• Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding.</li> <li>• Explicit references to the information in the case study are made at places in the response.</li> </ul>
<b>7–8</b>	<ul style="list-style-type: none"> <li>• A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories.</li> <li>• A response that uses appropriate terminology competently throughout the response.</li> <li>• A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis.</li> <li>• Explicit references to the information in the case study are made throughout the response.</li> </ul>

**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:

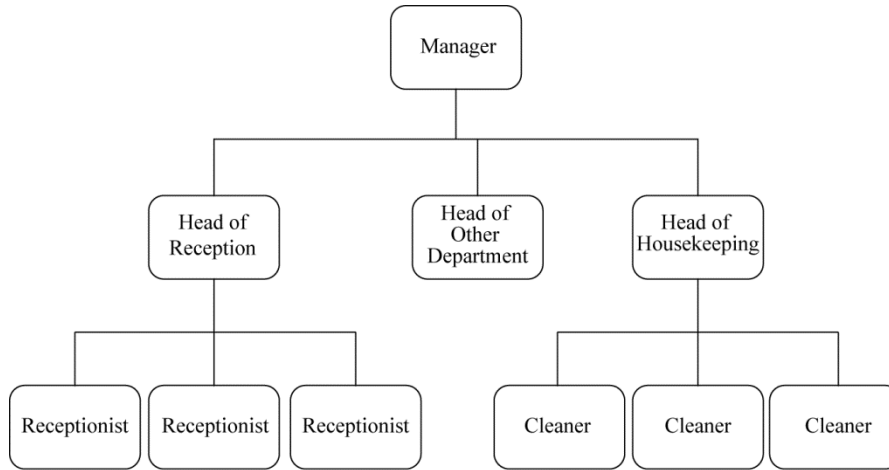
- internal recruitment (recruiting only within the existing employees, specifically targeting the ones in supervisory or mid-management positions)
- external recruitment through job advertisement (in Mombasa, or nationally or even internationally)
- external recruitment through a recruitment agency (for 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 (“Receptionist”; candidates could add others such as “Waiter”).

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.

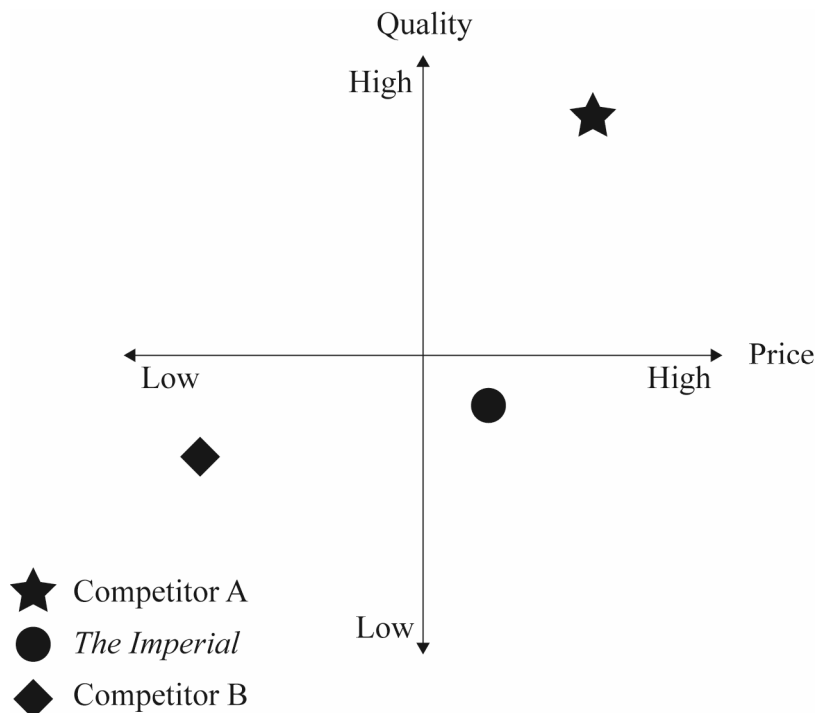
2. (a) **Martin constructed a position map (line 60). With reference to *The Imperial*, describe what this position map may look like.** [4 marks]

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.)



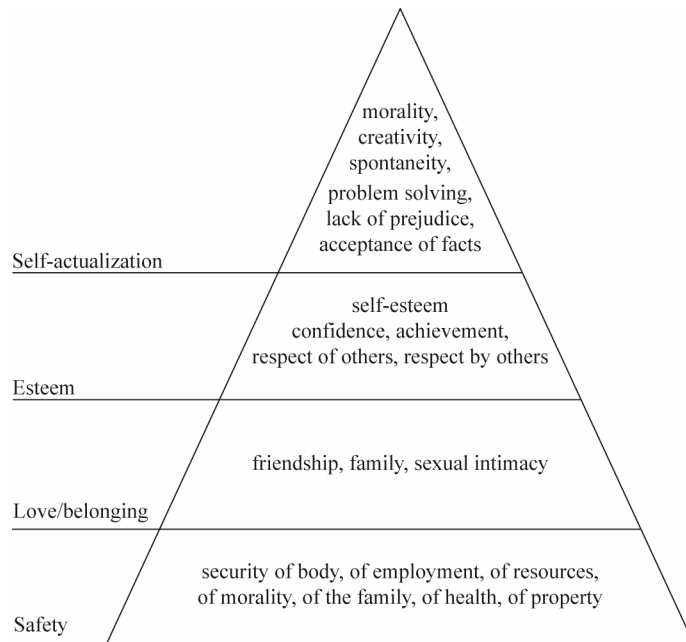


**(b) Using Maslow’s motivation theory, explain *two* reasons why Martin had applied for the job of manager at *The Imperial*. [4 marks]**

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].

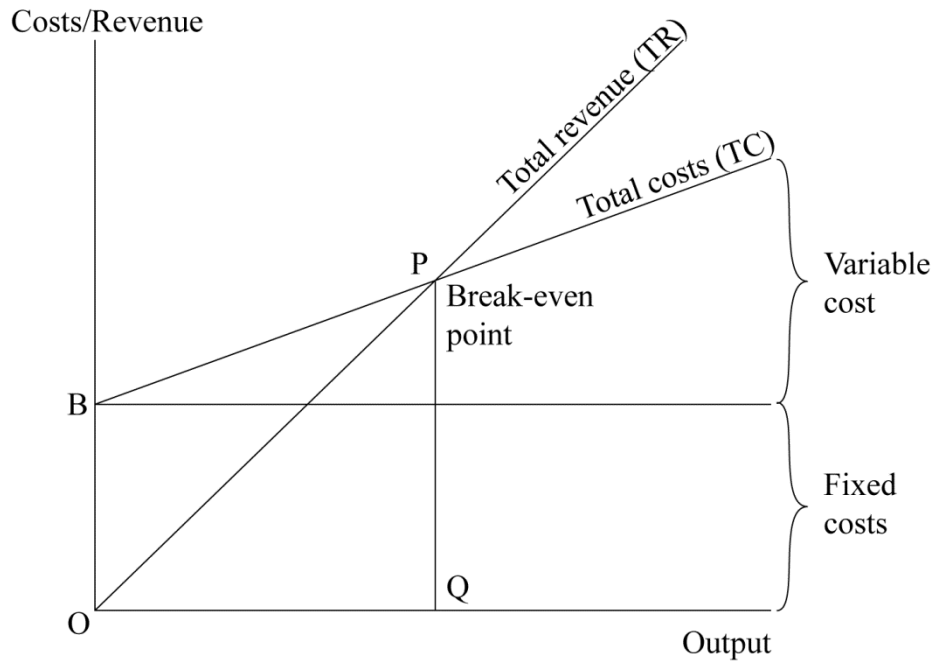
Award a maximum of [2 marks] for internal factors.

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

SECTION B

4. (a) “Once a year, the manager and a representative from GP would meet to calculate the break-even quantity...” (lines 23–24). Use a fully labelled diagram to describe the break-even analysis model (no figures required). [4 marks]

For this question, unlike 2(a), candidates are not expected to write text: a diagram alone is enough. The answer will look like the following diagram:



Award [1 mark] for the overall layout of the break even with both axes correctly labelled (horizontally: time or quantity/number of rooms; vertically: price/\$/sales/costs/revenue).

Award [1 mark] for correct indication of the costs (fixed/variable).

Award [1 mark] for correct indication of the total revenue and total costs.

Award [1 mark] for correct indication of the break-even point.

**N.B.** Candidates are **not** asked to mention the margin of safety.

- (b) Explain the meaning of the sentence “[Martin] believed in empowerment” (line 90). **[2 marks]**

Empowerment is a form of non-financial reward and a motivational technique; it means that some power is given to employees so they can make some of their own decisions regarding their working life (for instance at *The Imperial*, a receptionist may have control over how to use their time, or the chef at the restaurant could decide on the menus and dishes). The fact that Martin likes to empower employees, whenever possible, means that he is ready to give them some autonomy (in contrast to Susan’s leadership style).

*Accept any other relevant explanation.*

Award **[1 mark]** for an answer that provides a correct definition of empowerment.

Award **[2 marks]** for an answer that explains the meaning of the sentence in relation to Martin (his leadership style, or the way he motivates his employees).

- (c) Explain the following *two* elements of the marketing mix in the case of a hotel such as *The Imperial*: place and physical evidence. **[6 marks]**

**Place** refers to distribution channels, *ie* how the business (the hotel) can ensure that customers gain access to its products (the rooms); put another way, how potential guests book a room at *The Imperial*. Option 3 (strategic alliance with *KenSafar*) is a new distribution channel for *The Imperial*; the tour company would ensure a steady flow of guests staying at *The Imperial*, though of course there are conditions attached, such as paying *KenSafar* a 20 % commission, which is high. Alternatively, for its distribution, *The Imperial* could use online tour operators (websites such as *Expedia* are often used by hotels).

**Physical evidence** refers to the aspects of the hotel that guests directly experience, for example the lobby and reception area, the old-fashioned furniture and their old colonial style. Although *The Imperial* does not offer the same facilities as some of its competitors (*lines 50–51*), the physical evidence itself seems very good overall, as noted by the journalist who praised the housekeeping at the hotel (*lines 106–107*).

*Accept any other relevant explanation.*

**Mark as 3 + 3.**

Award **[1 mark]** for each correct definition (of place / physical evidence), and **[1 mark]** for each development/exemplification of that element of the marketing mix, up to **[2 marks]**. Award up to a maximum of **[3 marks]** for each element.



(d) Discuss the usefulness of the Ansoff matrix when choosing between the three options available to Martin. [8 marks]

	Existing Products	New Products
Existing Market	Market Penetration	Product Development
New Markets	Market Development	Diversification

**Option 1** is an “existing market” (“same customer types” see *line 135*) but with a slightly different product – however this is still a hotel, so “product development” is not the most appropriate description (it would be “product development” if the hotel started offering conferences or business facilities).

**Option 2** is a slightly different market (though still tourists in Kenya) with a slightly different product (some improvements to the hotel) – but talking about “diversification” may be too exaggerated.

**Option 3** is quite a different product (though still a hotel) with quite a different type of customer (still visitors to Mombasa though), so again “diversification” would not be appropriate.

Nonetheless by considering Ansoff it does focus attention on the concept of “risk”. The three options at the end of the case study illustrate the limits of the Ansoff matrix because they do not fit into neat categories.

*Accept any other relevant discussion.*

**N.B.** candidates are not asked to draw the Ansoff matrix itself (*ie* the table); candidates are very likely to do so, but a candidate could receive full marks without it. Put another way, a candidate will not be penalized if their answer is only textual.

Award a maximum of [5 marks] for a discussion of fewer than 3 options.

Award a maximum of [3 marks] for a discussion of options without reference to the Ansoff matrix.

For a one-sided discussion award a maximum of [6 marks].

Marks should be allocated according to the markbands on page 4