

Markscheme

May 2016

Business 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 descriptor
Q1 (c)	Q2 (c)	Q3 (c)	
Marks			
0			
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Section B	Level descriptor
Q4 (d)	
Marks	
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

Section A

1. (a) 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 *current liabilities*. [2]

Current liabilities are short-term debts of the business that will usually have to be paid within one year, such as a bank overdraft.

Accept any other relevant definition.

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

Award [1] for limited understanding or a vague definition.

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

- (b) With reference to *TM*, explain **two** benefits for *TM* of market segmentation. [4]

Market segmentation enables *TM* to identify and target specific market segments, for example developing promotional campaigns specifically for the type of price-conscious customers they have, advertising in the papers and magazines they are likely to read. If its marketing effort was more general, it would be wasting time trying to attract people from the “higher” end of the market. Their market segmentation may also influence the products they decide to sell in their stores, catering for the needs of customers who look for low prices rather than for quality.

Mark as 2+2.

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

(c) Using the information above, calculate for *TM*:

(i) the current ratio (*show all your working*);

[2]

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}} = \frac{80}{40} = 2$$

Award [1] for working and [1] for the correct answer. Award up to a maximum of [2].

(ii) the acid-test/quick ratio (*show all your working*).

[2]

$$\text{Acid-test/quick ratio} = \frac{\text{Current assets} - \text{stocks}}{\text{current liabilities}} = \frac{80 - 26}{40} = \frac{54}{40} = 1.35$$

Accept 1.3 and 1.4

Award [1] for working and [1] for the correct answer. Award up to a maximum of [2].

- (d) Henri tells the rest of his class that he thinks that *TM* employees are demotivated. Using **two** motivation theories, discuss the factors that may demotivate employees at *TM*.

[10]

All the motivation theories/theorists in the subject guide may be used by candidates:

- Taylor
- Maslow
- Herzberg (motivation-hygiene theory)
- Adams (equity theory)
- Pink (autonomy-purpose-mastery)

N.B. some candidates may refer to McGregor (theory X/Y); this is acceptable even if this is the not in the new version of the subject guide.

Factors in the case study possibly leading to demotivation include:

- Strict control: could be related to Herzberg (hygiene conditions not met), Maslow (restricts esteem needs, self-actualization opportunities), Pink (lack of autonomy).
- Low wages: Taylor (who says man is driven by economic factors and low pay does not meet this need), Herzberg dissatisfaction with pay is failing to meet hygiene factor needs), Adams (rewards do not meet the efforts).
- Autocratic leadership: Herzberg (limits opportunities for achievement and restricts choices both of which mean hygiene factors not met), Maslow (various levels including denying self-actualization), Pink (lack of autonomy).
- No pay rises (links in with arguments about low pay).
- Senior managers treated far better: Taylor (poor relative pay will demotivate as much as poor pay, Herzberg (lack of sense of fairness will demotivate, Adams (relative rewards do not meet efforts).

This could be a discussion of factors supported by theorists or a discussion of theorists illustrated by factors.

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

For [1 to 2], theories are quoted in a meaningless, or purposeless way, or evidence is simply lifted from the case study. There is general discussion about motivation without application to TM.

For [3 to 4], candidates show some understanding of the motivational issues facing TM, but little understanding is shown of the theories. Simplistic comments are made. Alternatively there is theoretical understanding of relevant theories, but with little application to TM.

For [5 to 6], candidates may have only used one relevant theory. Alternatively they may have addressed two theories with limited application to TM and little, or no evaluation.

For [7 to 8] candidates are expected to have used some of the relevant evidence (application to TM) in relation to two theories, but the evaluation is little more than assertions.

*For [9 to 10], candidates are expected to have used two relevant theories and analysed key factors from the relevant evidence in the case study **and** additional material. They will have evaluated some factors.*
