

Markscheme

May 2024

Business management

Higher level

Paper 3

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1. With reference to business management motivation theory, describe **one** need that *MFFH* satisfies for young families requiring affordable homes. **[2]**

A business management theory which could be linked to needs in this case is **Maslow's Hierarchy of Needs**, especially **physiological, safety or even social needs** as we are referring to young families.

From the stimulus, **the need** which *MFFH* satisfies through its affordable homes is **linked to safety, security, health, and well-being**. "The United Nations (UN) has stated that housing should be considered a **basic human need and human right**."

Mark as [1+1].

Award **[1]** for using an appropriate business management theory, e.g. Maslow's hierarchy of needs, and **[1]** for describing one human need. Award a maximum of **[2]**.

Do not accept Deci McClelland and Herzberg as they refer to leadership and employee motivation.

Do not accept higher order needs such as self-esteem or self-actualization.

Do not award **[1]** if a candidate writes that "MFFH meets a safety need through providing affordable homes".

Safety needs through providing shelter is acceptable for **[1]**.

N.B. the command term is describe (AO1), only brief descriptions of the theory and need are required.

2. Explain **one** marketing challenge **and one** financial challenge for *MFFH* if it accepts the United Nations (UN) order. **[6]**

The **marketing** challenges could include:

- If *MFFH* accepts the order, then the USP of **offering environmentally sustainable houses at affordable prices is under threat** in their own country. This could **impact on elements of the marketing mix such as price** (due to higher costs through capacity utilization limits, higher borrowing and increasing outsourcing costs).
- There is also some information from resource 5 that this order **will impact on *MFFH*'s positioning**. Will this weaken *MFFH*'s strong ethical objectives?
- Given the stimulus that *MFFH* is positioned differently from *AGEH* due to its operations and **strong ethical objectives**, *MFFH* may have to **adjust their marketing mix** through new **promotion to their target market to reassure that their ethical positioning has not changed**.

The **financial** challenges could include:

- *MFFH* already has a **high gearing ratio**, and the new order **will increase** this. The case study indicates that *MFFH* will have to increase long term liabilities to purchase additional equipment. Additional bank lending might be difficult and expensive given the financial position and gearing ratio compared to the industry average. Also, will financial institutions be willing to take additional risk in lending to *MFFH*?
- **Borrowing costs are forecast to increase**, and this will impact on future financial costs over a five-year period with *MFFH* servicing a higher level of debt.

Mark as a [3+3].

Award [1] for identification of an appropriate marketing / financial challenge, [1] for explanation and [1] for clear application to MFFH. Award a maximum of [3] for each respective challenge.

Appropriate means a marketing / financial challenge that is acceptable given the stimulus.

3. Using all the resources provided and your knowledge of business management tools and theories, recommend a possible plan of action for *MFFH* over the next five years. [17]

Note to examiners concerning synoptic assessment.

Synoptic assessment refers to the assessment of a candidate's understanding of the links between the different elements of a subject. It is designed to promote a holistic approach to understanding an organization and its challenges and opportunities.

Adapted from Source What is synoptic assessment? Filio Constantinou
Assessment in education, principles policy and practice Vol 27 2020

This question is a synoptic assessment task and asks the candidate:

- to draw different business management ideas together and synthesize information.
- to make a clear and coherent argument and justification for an organization (social enterprise) to pursue a sustainable plan over a period of five years.
- to apply appropriate tools and theories to support arguments.
- to structure the response clearly, with ideas and analysis sequenced in a coherent manner
- to effectively utilize all the resource materials included.

For paper 3 question 3, four marking criteria are used. They are designed to assess how well the candidate has answered the question holistically.

They include:

Criterion A – Use of resources

Criterion B – Appropriate tools and theories

Criterion C – Evaluation

Criterion D – Sequencing and plan of action

Examiners are encouraged to reward different plans of action if they are relevant to the stimulus. The sample answer below focuses on a possible strategic alliance with *AGEH*.

One possible plan of action – strategic alliance with *AGEH*

If a candidate chooses a different plan of action/strategy over 5 years from below this is to be accepted if it can fit with the stimulus given and hence be justified.

One possible (suitable) plan of action is to form a strategic alliance with *AGEH* (Resource 4) and, as Resource 4 indicates, **they have experience of strategic alliances with construction companies**. There are significant economies of scale to be earned through the strategic alliance with *AGEH* given that they **have significant unused capacity of up to 60 000 houses**.

MFFH has a **significant opportunity** over the **next five years**. But Resource 6 indicates that **new challenges remain based on the operation manager's experience** of analysing the first sample.

The offer from the UN will ease some of the **cash-flow concerns** and raise **profitability and improve financial performance** (Resource 5). Resource 1 indicates that other measures of financial performance, such as **gearing and debtor days, are a concern**. For *MFFH*, they are significantly **above the industry average**. The offer from the UN will also allow *MFFH* to attract new investors.

Resource 1 and 2 indicate there is an **ongoing crisis in housing affordability**, which is likely to deteriorate as indicated by the OECD and the UN spokesperson. It would be wrong of *MFFH* not to **consider the longer-term trend** over the next five years and miss out on new opportunities.

Balance

However, as Resource 3 indicates, the strategic alliance may be complex and difficult to set up given the **different production methods AGEH does not use cradle-to-cradle** design and manufacturing,

If MFFH do not form a strategic alliance with AGEH then Resource 6 indicates that MFFH will have to find and negotiate with new partners. MFFH would have to control the supply chain and outsource some parts of the production process where they lack experience. This could be risky given the quality control concerns already mentioned.

Balance continued with expected impact.

Early results from the first sample indicated that **quality** assurance and control processes are **revealing mistakes** and that the new houses are **not meeting international quality standards.** MFFH could form **new outsourced partnerships** and **continue** to be driven by its **strong ethical objectives** and award contracts to potential outsourced companies based on quality assurance processes if they do not form a joint alliance with AGEH. This **could save MFFH significant finance**, as they **will not have to purchase large amounts of new equipment to increase capacity.** The chance of organizational clashes are also reduced.

It may be difficult to measure the impact of outsourcing over the next 5 years. Financial costs **will increase** though, and this may have an **impact on keeping MFFH's houses affordable** for young families, the **main reason why MFFH was set up** by Martin in the first place. There is also the point that **MFFH will be outsourcing** its quality assurance, and resources **will be required to monitor quality control processes** with its subcontractors.

However, the **UN order was placed due to dissatisfaction with AGEH** (Resource 3). The next five years could be financially very beneficial for MFFH. A **strategic alliance**, although **quick to organize**, may **contain too many problems** in the **longer term**. A cautious judgment to **control the supply chain** and **outsource** parts of the production process is given. Although the cost and this **final price** paid on this new batch of **houses** is likely to be **higher given outsourcing**, the new houses will still be predictably lower than the mean and median house prices in those countries affected. Resource 1

Appropriate tools and theory for the plan of action. See additional marking notes for criterion B below.

- **Ansoff matrix**, given that this is a plan of action **based on a growth strategy.**
- **Porters' generic strategies (cost leadership)** are also possible given the stimulus.
- **Business plan**

Possible theories include but not limited to:

- **supply chain, logistics and outsourcing, economies of scale, cradle to cradle design.**
- **organizational culture clashes.**
- **transitioning to a publicly traded social enterprise via an IPO but candidates must justify why this would be appropriate given the stimulus material.**

Please note that tools and theories used should be appropriate to a plan of action over the next 5 years for MFFH. A break-even analysis which is more short term may not be an appropriate tool.

Marks should be allocated according to the assessment criteria on pages 7–8.

The following assessment criteria will be used for question 3.

Criterion A: Use of resource materials

To what extent does the student use the resource materials provided to effectively support the recommended plan of action?

Marks	Level descriptor
0	The response does not reach a standard described by the descriptors below.
1	The response makes limited reference to the resource materials provided or the resources identified have been used ineffectively to support the recommended plan of action.
2	The response makes some reference to the resource materials provided or the resources identified have been used in a superficial way to support the recommended plan of action.
3	The response makes reference to most of the resource materials provided to support the recommended plan of action.
4	The response makes reference to all resource materials provided to effectively support the recommended plan of action.

Additional guidance for marks 2, 3 and 4 for criterion A:

For **[2]**, some reference means at least 3 resources are used in the plan.

For **[3]**, the candidate makes reference to most resources (at least 4).

For **[4]**, the candidate makes reference to at least 5 resources.

Criterion B: Business management tools and theories

To what extent does the student’s plan of action effectively apply appropriate business management tools and theories?

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The response demonstrates limited application of appropriate business management tools and theories.
2	The response superficially applies appropriate business management tools and theories.
3	The response satisfactorily applies appropriate business management tools and theories.
4	The response effectively applies appropriate business management tools and theories.

Appropriate tools can be identified from the toolkit but any theory (business content) which is used as a decision-making tool should be accepted.

Criterion C: Evaluation

To what extent does the student effectively evaluate the expected impact of their plan of action on the relevant areas of the business?

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	The response is largely descriptive with limited analysis or evaluation of the expected impact of their plan of action. There is limited reference to the relevant areas of the business.
3–4	The response analyses the expected impact of their plan of action with some reference to the relevant areas of the business. There is some evidence of evaluation but it is not sustained.
5–6	The student effectively evaluates the expected impact of their plan of action on the relevant areas of the business and considers the trade-offs between those areas.

Relevant areas do not imply that **all** parts of a business (human resources, finance, marketing, operations) need to be considered. Relevant areas could be a consideration of two areas.

If a candidate writes that we may need more information or question the reliability of the stimulus before making a successful plan of action, **please do not consider this as a trade-off**.

Criterion D: Sequencing of ideas and plan of action

To what extent are the student’s ideas and plan of action sequenced in a clear and coherent manner?

Marks	Level descriptor
0	The response does not reach a standard described by the descriptors below.
1	The response is limited in its sequencing of ideas and plan of action.
2	The response consists of ideas and a plan of action but these are not always sequenced in a clear manner.
3	The response effectively sequences appropriate ideas and a plan of action in a clear and coherent manner.

Please note that weak performance in criteria A B and C does not imply that the mark for criterion D will be weak. A descriptive, inappropriate one-sided plan of action could still be clear and coherent and thus should be awarded **[2]** as per the mark band.