

# Markscheme

**November 2019**

**Business management**

**Standard level**

**Paper 2**

23 pages

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The markbands and assessment criteria on pages 3–5 should be used where indicated in the markscheme.

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

### Assessment criteria for Section C

#### Criterion A: Knowledge and conceptual understanding

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of the given concepts and relevant business management content (theories, techniques or tools, depending on the requirements of the question).

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of the given concepts is demonstrated. Business management content is not selected or the content selected is irrelevant.
2	Satisfactory understanding of one or both of the given concepts is demonstrated. Some business management content selected is relevant. The relevant content is satisfactorily explained.
3	Good understanding of one or both of the given concepts is demonstrated. The business management content selected is relevant, though it may not be sufficient. The relevant content is generally well explained, though the explanation may lack some depth or breadth.
4	Good understanding of both of the given concepts is demonstrated. The business management content selected is relevant, sufficient and well explained.

#### Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the given concepts and the relevant business management content (theories, techniques or tools, depending on the requirements of the question) to his or her chosen real-world organization(s). **The real-world organization(s) must not be the organization featured in the prescribed case study for paper 1.**

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The given concepts and/or any relevant business management content are connected to the real-world organization(s), but this connection is inappropriate or superficial.
2	The given concepts and/or relevant business management content are connected appropriately to the real-world organization(s), but this connection is not developed.
3	The given concepts and relevant business management content are generally well applied to explain the situation and issues of the real-world organization(s), though the explanation may lack some depth or breadth. Examples are provided.
4	The given concepts and relevant business management content are well applied to explain the situation and issues of the real-world organization(s). Examples are appropriate and illustrative.

**Criterion C: Reasoned arguments**

This criterion assesses the extent to which the candidate makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting reasonable evidence or other support for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

**Criterion D: Structure**

This criterion assesses the extent to which the candidate organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

**Criterion E: Individuals and societies**

This criterion assesses the extent to which the candidate is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.

**Section A**

- 1. (a) Define the term *margin of safety*. [2]

In break-even analysis, margin of safety is how much output or sales level can fall before a business reaches its break-even point.

*Award [1] for some understanding.*

*Award [2] for a clear definition.*

- (b) Using the financial data in **Table 1**, calculate:

- (i) the break-even level of output (*show all your working*); [2]

$$\begin{aligned} \text{Formula} &= \frac{\text{TFC}}{\text{Unit contribution}} \\ &= \frac{100\,000}{4.5 - 2} \\ &= \frac{100\,000}{2.5} = 40\,000 \text{ units} \end{aligned}$$

*[1] can be awarded for the formula on its own OR  $\frac{100\,000}{2.5}$ .*

*An additional [1] is for the correct answer with working shown.*

- (ii) the percentage of total costs that were fixed costs for last year (*show all your working*); [2]

Output = 60 000 (break even = 40 000 and margin of safety = 20 000)  
 TC = TFC + TVC = 100 000 + (60 000 × 2)  
 TC = 220 000  
 TFC percentage =  $\frac{100\,000}{220\,000} = 45.45\%$

**N.B.** OFR rule applies from (i).

*[1] can be awarded for TFC percentage =  $\frac{100\,000}{220\,000}$  even if the final answer is incorrect.*

If a candidate has the workings shown (100 000/200 000) and has the answer written out as 45.45, 45.4545, etc. award **[2]**.

If a candidate has the workings shown (100 000/200 000) and has the answer written out as 45.5, award **[2]** award **[2]**.

If a candidate has the workings shown (100 000/200 000) and has the answer written out as 45.4 or has a maths error, award **[1]**.

- (iii) the level of profit for SSH at 2018's level of production (*show all your working*). [2]

$$\begin{aligned} \text{Output} &= 60\,000 \\ \text{TR} &= 60\,000 \times \$4.5 = \$270\,000 \\ \text{TC} &= \$220\,000 \\ \text{Profit} &= \$50\,000 \end{aligned}$$

**N.B.** OFR rule applies from (i).

- (c) Explain how the introduction of new production methods will affect the total cost line in SSH's break-even chart. [2]

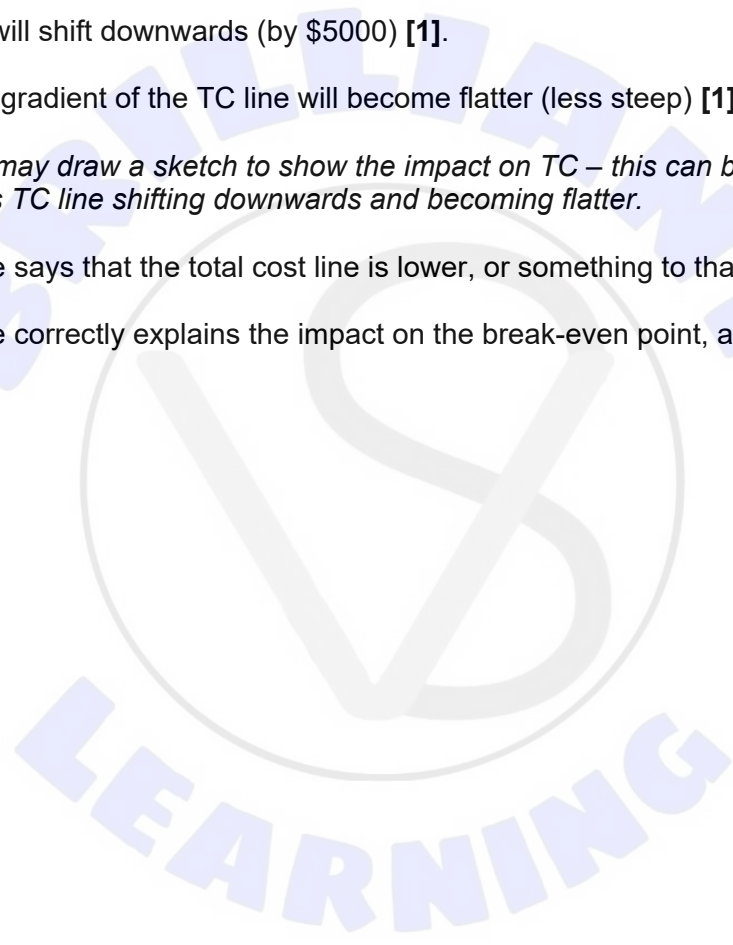
The TC line will shift downwards (by \$5000) [1].

The slope or gradient of the TC line will become flatter (less steep) [1].

*A candidate may draw a sketch to show the impact on TC – this can be awarded [2] if it shows TC line shifting downwards and becoming flatter.*

If a candidate says that the total cost line is lower, or something to that affect, award [1].

If a candidate correctly explains the impact on the break-even point, award [1].



2. (a) State **two** methods of primary market research. **[2]**

Types of primary market research include:

- questionnaire/surveys (postal, online, face-to-face)
- focus groups
- interviews (telephone or face-to-face)
- observation.

*Award [1] for each type of market research method identified, up to a maximum of [2]. If a candidate names two types of the same method (for example, postal survey and online survey), award a maximum of [1].*

*Do not accept "Data collected from a business" (or something similar), as this wording is insufficiently precise. Many types of data collected from a business would be secondary.*

- (b) Calculate, for **Option 1**:

- (i) the average rate of return (ARR) (*show all your working*); **[2]**

ARR:

$$\frac{\text{Profit from investment} - \text{Cost of investment}}{\text{Number of years}} = \frac{\$1\,400\,000 - \$1\,200\,000}{5} = \frac{\$200\,000}{5}$$

= \$40 000 average profit per year

$$\frac{\text{Average per annum profit}}{\text{Cost of investment}} = \frac{\$40\,000}{\$1\,200\,000} = \mathbf{3.33\%}$$

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

If a candidate has the workings shown (40 000/1 200 000) and has the answer written out as 3.33, 3.3333, etc, award **[2]**.

If a candidate has the workings shown (40 000/1 200 000) and has the answer written out as 3.3, award **[2]**.

If a candidate has the workings shown (40 000/1 200 000) and has the answer written out as 3.4, or has a maths error, award **[1]**.

- (ii) the payback period (*show all your working*). [2]

Payback period:

Profit after the first four years is \$1 000 000, which means that \$100 remains going into the fifth year, which has anticipated profits of \$300.

$$\frac{\$100}{\$300} = \frac{1}{3} = \text{four months.}$$

The payback period is **4 years and 4 months**.

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

- (c) Calculate, for **Option 2**, the average rate of return (ARR) (*show all your working*). [2]

ARR:

		Forecasted profits
Year 1:		\$300 000
Year 2:	$\$300\,000 \times 1.2$	= \$360 000
Year 3:	$\$360\,000 \times 1.2$	= \$432 000
Year 4:	$\$432\,000 \times 1.2$	= \$518 400
Year 5:	$\$518\,000 \times 1.2$	= <u>\$622 080</u>
		\$2 232 480

$$\frac{\text{Profit from investment} - \text{Cost of investment}}{\text{Number of years}} = \frac{\$2\,232\,480 - \$1\,800\,000}{5} = \frac{\$432\,480}{5}$$

= \$86 496 average profit per year

$$\frac{\text{Average per annum profit}}{\text{Cost of investment}} = \frac{\$86\,496}{\$1\,800\,000} = \mathbf{4.81\%}$$

If a candidate has the workings shown (86 496/ 1 800 000) and has the answer written out as 4.8053, 4.80533, etc., award **[2]**.

If a candidate has the workings shown (86 496/ 1 800 000) and has the answer written out as 4.81 or 4.8, award **[2]**.

If a candidate has the workings shown (86 496/ 1 800 000) and has any other answer than those above or has a maths error, award **[1]**.

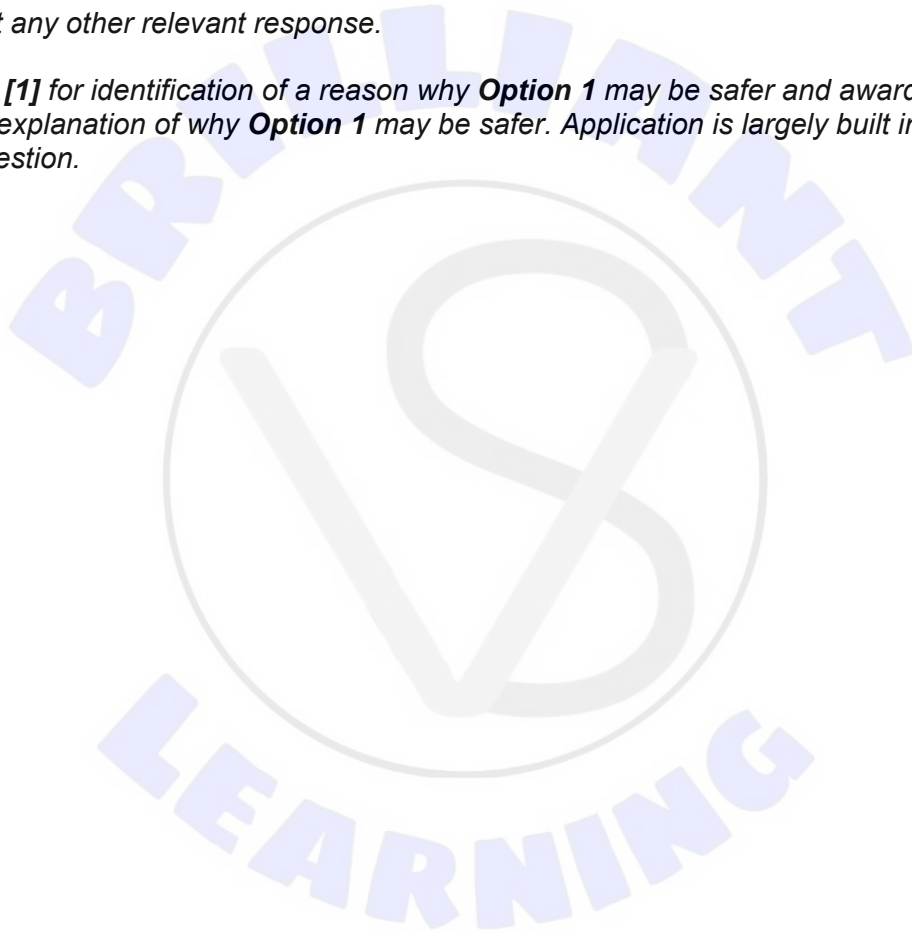
- (d) Explain **one** reason why **Option 1** may be a less risky investment than **Option 2**. [2]

Reasons that **Option 1** may be the less risky of the two investments include:

- Lesser capital outlay. The success of **Option 2** relies heavily on strong and growing demand year on year. Were that demand not to materialize, the returns on the investment would fall and it would take longer to recoup the investment cost.
- In the early years, **Option 1** has higher profits as a percentage of investment than **Option 2**. Forecasts become more problematic the further out they go in years. **Option 1** will see a fairly significant recovery of investment in the early years, whereas **Option 2** is very dependent on demand of 20 % growth through five years. Profit of \$622 080 is crucial to the success of **Option 2**.

*Accept any other relevant response.*

*Award [1] for identification of a reason why **Option 1** may be safer and award [2] for an explanation of why **Option 1** may be safer. Application is largely built into the question.*



### Section B

3. (a) Describe **one** feature of a multinational company (MNC). [2]

- MNCs operate in more than one country. Their headquarters are located in one country (home country) while operations are carried out in a number of other countries (host countries).
- Because of their international operations, they usually have large physical and financial assets and turnover.
- MNCs are often large-sized and exercise a great degree of economic dominance.
- MNCs may control production activity with large foreign direct investment in more than one developed and developing countries.

*Award [1] for each feature stated and award an additional [1] for a description up to a maximum of [2].*

*For a statement like “A multinational company operates in two or more countries” but with no further description, award [1].*

- (b) Calculate *TS*' market share in 2018. [2]

Market share % = (firm's sales /total market sales) × 100

$$\frac{5\,000\,000}{50\,000\,000} \times 100 = 10\%$$

*Award [1] for the correct answer and [1] for correct working.*

*If no workings are shown, but the final answer is correct, award a maximum of [1].*

- (c) Explain **two** disadvantages **and one** advantage to *TS* of selling its products online. [6]

Like other businesses in the industry, *TS* may find selling online increasingly problematic due to the associated costs. Customer complaints about *TS*' website and ordering problems are already increasing. Costs of dealing with customer complaints, technical issues and delivery problems may increase and reduce profit.

*TS*' brand image may be eroded due to its inefficient way of dealing with online sales. Its unfriendly website and increasing customer complaints are probably eroding its brand image and market share. If *TS* wants to increase international presence and expand its market, it should improve its current online sales system.

On the other hand, *TS*' sales and profits can increase by taking advantage of e-commerce's rapid growth. It can also take advantage of a potential market opportunity left by the competing businesses in the industry that are experiencing problems with online sales.

*TS*' international presence is weak; selling online can help to create brand awareness in international markets and reach a worldwide audience with relatively low costs.

Accept any other relevant explanation.

**Mark as 2 + 2 + 2.**

Award **[1]** for each correct advantage/disadvantage identified and **[1]** for a relevant explanation with application to *TS*. Award up to a maximum of **[2]** per advantage/disadvantage explained.

**[2]** cannot be awarded per advantage/disadvantage if the response lacks either explanation and/or application.

For example: For an identification/description of an advantage/disadvantage with or without application **[1]**. For explanation of an advantage/disadvantage with no application **[1]**.

For explanation of an advantage/disadvantage and application **[2]**.

- (d) With reference to *TS*, evaluate the two merger options.

**[10]**

**Merging with All Champion:**

Top Star is a manufacturer. Prior to either Option 1 or Option 2, *TS* had no brick-and-mortar retail outlets. The merger with the footwear manufacturer *All Champion (AC)* will produce gains in economies of scale, and will give *TS* the possibility of growing.

As a multinational company, *AC* has access to more and cheaper resources such as finance. Additional finance will allow for research and development of new products. *TS* will be able to develop the new line of running shoes and expand its product portfolio.

Merging with *AC* will also allow for rationalization of resources, such as concentrating output on one site and concentrating managerial and technical capacities. For instance, *TS* will have access to larger IT and marketing departments to improve its website and deal with online sales more efficiently.

A merger with *AC* eliminates a strong competitor in the market. The two companies might have different strengths and experiences and they, therefore, could fit well together. The new merged company will probably be stronger and could therefore increase its competitive power in the market. *AC*'s market share (only 10 %) will increase.

**On the other hand**, a merger with *AC* may have a number of drawbacks. In a merger process, the smaller company, such as *TS*, could be cannibalized by the larger one. *TS*' culture may be dissolved within *AC*'s way of doing things. There are also high chances that some of *AC*'s factories will be closed, causing discontent within the local community. The finance manager is right to be suspicious about this merger. *TS*' reputation may be hurt due to the possibilities of closing factories and sales may fall.

**Merging with a footwear retailer:**

If *TS* merges with a footwear retailer with a strong presence in domestic and international markets, it will secure an outlet for its products. *TS* will be able to increase its domestic market share of 10 % and additionally access the international markets, using the experience, knowledge and expertise of the

footwear retailer. *TS* will keep the manufacturing process and then factories will not close. In addition, the risks of cannibalization of this option are low.

**However**, this merger may not exclude a strong competitor such as *AC*. Production economies of scale will not be gained, as the footwear retailer has no experience in the footwear manufacturing process.

**Overall**, merging with *AC* will give *Top Star* the competitive edge needed to grow and develop its product portfolio. On the other hand, merging with a footwear retailer also has some evident advantages, but it seems that merging with *AC* looks like a stronger choice.

*It is expected that candidates provide a conclusion with a substantiated judgment.*

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

*For one relevant issue that is one-sided, award up to [3]. For more than one relevant issue that is one-sided, award up to a maximum of [4].*

*If a candidate evaluates / addresses only one merger option, award a maximum of [5].*

*A balanced response is one that provides at least one argument for and one argument against each merger option.*

*Candidates may contrast one option with another for a balance as long as at least two arguments are given for each option.*

*Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.*

*Candidates cannot reach the [7–8] markband if they give judgment/conclusions that are not based on analysis/explanation already given in the answer.*

4. (a) State **two** types of above-the-line promotion. [2]

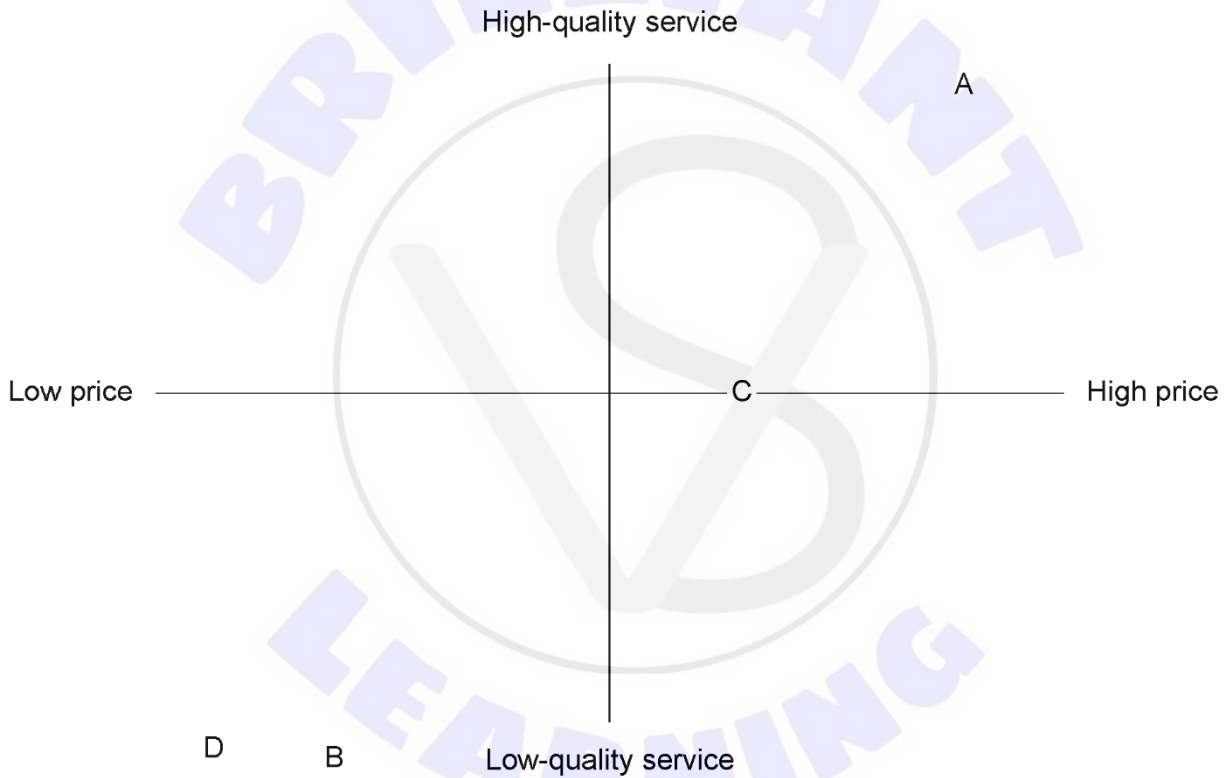
Appropriate types of above-the-line promotion include:

- newspapers
- magazines
- radio advertisements
- television advertisements.

Accept any other relevant answer, including “advertising on the Internet” or “the Internet.”

Award [1] for each appropriate type of above the line promotion up to [2].

(b) Using **Table 1**, construct a product position map/perception map for all four hotels prior to the opening of GR. [4]



Award [1] for the overall layout of the map with both axes labelled correctly (price: high or low; service: high or low).

**N.B.** It does not matter which one is horizontal/vertical.

The correct positioning is as shown above. Adjust appropriately if a candidate makes the price the vertical axis and quality the horizontal axis.

Award [2] for a correctly labelled position map with two of the companies properly placed.

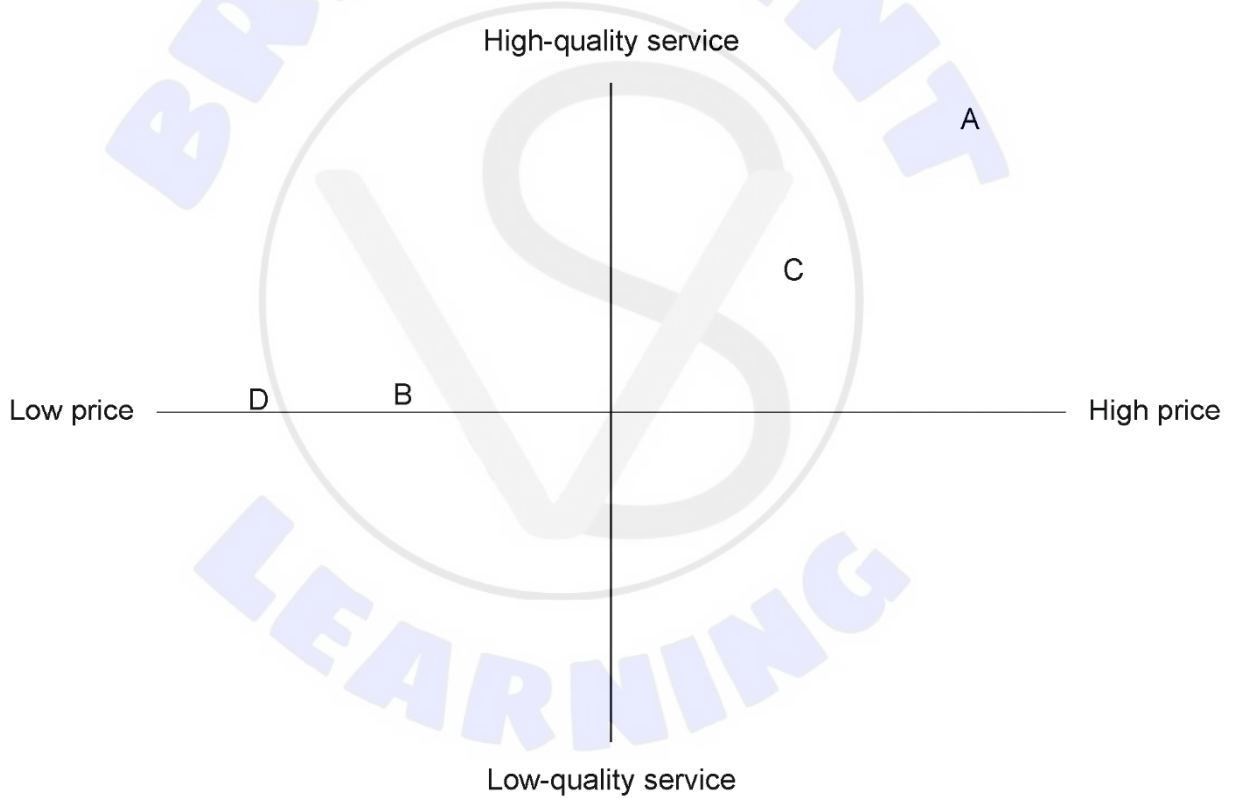
Award [3] for a correctly labelled position map with three of the companies properly placed.

Award [4] for a correctly labelled position map with all four companies properly placed.

The position map has been scaled from \$155–\$245 for the horizontal axis and 3 stars to 5 stars for the vertical axis. If candidates scale the perception map differently (1 to 5 stars, for example), mark accordingly and per the explanation for [1], [2], [3] and [4] above.

The candidates were asked to position the four hotels prior to the opening of the GR. The four hotels represent the full range of the market (at the time, before GR opened) and, therefore, the positioning should be as shown above. However, candidates may consider a 3-star hotel to be “middle quality” rather than low quality because three is the mid-point between 1 star and 5 star. Thus, some candidates may position the four hotels more toward quadrant one than they should.

Nevertheless, examiners should have some forbearance: as long as the relative position of the hotels is accurate, award marks appropriately. For example, the position map below would earn [4].



**N.B.** If the relative position is correct but the candidate has compressed the positions of the four hotels into one quadrant (which would typically be quadrant 1), award a maximum of [3].

- (c) Explain **two** ways in which *GR* is able to offer rooms at a lower price than *IF*. **[4]**

Three ways in which *GR* is able to have lower costs than traditional hotels include:

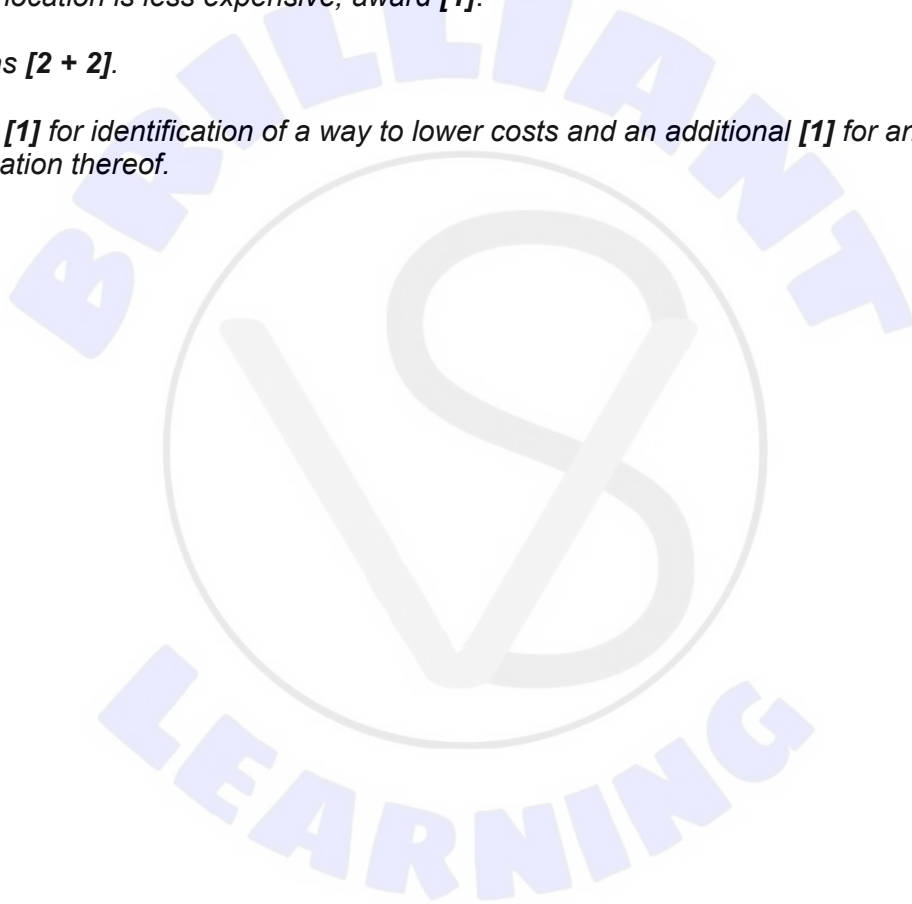
- more modest rooms, which include smaller room size and less elegant furniture
- lower personnel costs, as much of the traditional staff is replaced by kiosks and automated billing
- Fewer amenities, like a swimming pool and a high-quality restaurant.

*Accept any other relevant example.*

*If a candidate refers to the airport versus city-centre location and assumes that the airport location is less expensive, award [1].*

*Mark as [2 + 2].*

*Award [1] for identification of a way to lower costs and an additional [1] for an explanation thereof.*



- (d) Discuss possible changes to *IF*'s marketing mix to reduce the loss of customers to *GR*.

[10]

Main differences in the marketing mix of the two hotels are:

	<b>Imperial Falls</b>	<b>Guest Rooms</b>
Product	Elegant/high end	Clean, appropriate amenities for business travellers, though not elegant.
Price	High	Lower cost, though there is the membership fee.
Place	Same/City centre	Same/Near airport.
Promotion	Limited	Both above-the-line promotion and social media marketing.

The question of place is tricky. At one level of argument, place is different than location. However, in the case of a hotel, place and location are virtually indistinguishable, as hotels are ontologically a venue where customers rent rooms for the night. Thus, in the case of hotels, place devolves to location.

Possible changes to the *IF*'s marketing mix include:

- **Product:** Cutting back on amenities and passing some of those savings on to customers via lower room rental rates. There are negatives to this tack. First, a reduction of amenities could be viewed as a deterioration of the high quality, which is currently *IF*'s USP.
- **Price:** Reducing the rates that it charges for rooms. If prices are lowered and changes are not made in quality of service or amenities, *IF* could experience lower profits. *IF* would certainly experience lower profits per room. Unclear is whether the lower prices would lead to higher occupancy.
- **Promotion:** Increasing its promotion. *IF* has three noteworthy features that *GR* does not have: elegance, five-star quality and a central city centre location. With greater promotion, *IF* may be able to attract customers back based upon the convenience of being in the city centre and the elegance of staying in an old palace.
- **Place/Location:** It is not very realistic to think that *IF* would or could change its location. Any discussion of location will probably occur under promotion, whereby candidates will discuss ways in which *IF* can, through promotion, make their location in the city centre a selling point.

*Remember that at standard level, the candidates are not expected to know the extended marketing mix but rather just the four Ps: price, place, promotion, product. Candidates should not be penalized if they address the extended marketing mix.*

*Marks should be allocated according to the markbands on page 3 with further guidance below.*

*N.B. The marks listed in the far right column are maximum awards. Candidates could technically have a response that addresses two Ps in a balanced way yet still lacks the depth, precision, or application for [4] (for example).*

One P	No balance	<b>1</b>
Some theoretical discussion of the marketing mix with no application.		<b>[1-2]</b>
Two of three Ps (product, price, promotion) Or Three of three Ps	One balanced, one unbalanced Or All unbalanced	<b>[3]</b>
Two of three Ps (product, price, promotion) Or Three of the three Ps	Both balanced Or One balanced, two not	<b>[4]</b>
Three of three Ps (product, price, promotion)	Two balanced, one not	<b>[5]</b>
Three of three Ps (product, price, promotion)	All three balanced, no conclusion or totally nominal conclusion	<b>[6]</b>
Three of three Ps (product, price, promotion)	All three balanced with a conclusion that flows out of the arguments made	<b>[7-8]</b>
Three of three Ps (product, price, promotion)	All three balanced with a conclusion that flows out of the arguments made.  Draws from the stimulus but also makes insightful inferences. Uses rich vocabulary about marketing.	<b>[9-10]</b>

5. (a) Describe **one** disadvantage of operating as a public limited company. [2]

Disadvantages of operating as a public limited company include:

- The expense of going public and the ongoing expenses of reporting to the government or shareholders.
- Loss of privacy, as the company must report to the public and to shareholders.
- Strategic decisions can take longer, as management has responsibility to communicate with the board, shareholders, and, often, other stakeholders.
- Risk of takeover.

Unless candidates otherwise have elements in their response deserving marks, do not award any marks for statements such as “dilution of control” or “the owner will not have full control.” Answers such as these two show a significant misunderstanding.

*Award [1] for an identification of a disadvantage and another [1] for sufficient description thereof.*

- (b) Explain **one** benefit **and** **one** cost to *FA* of having an autocratic leadership style. [4]

In the stimulus it is indicated that *FA* has an autocratic leadership style. This style appears to dovetail with the culture of the less economically developed country. Also, the factory is profitable and has been efficient through lower costs. It is possible that the leadership style fosters loyalty in this country because of the cultural fit.

The costs to *FA* include that autocratic leadership may stifle creativity and innovation, which could be available in a more democratic system. Productivity in Germany could be higher than in a less economically developed country. The fact that *FA*'s leadership is thinking of relocating to Germany indicates that they see problems in moving to a new, higher-price segment.

**Mark as 2 + 2.**

*Award [1] for each relevant benefit / cost explained and [1] with application to FA. Award up to a maximum of [2] per benefit/cost explained.*

**[2] cannot be awarded per benefit / cost if the response lacks either explanation and / or application.**

*For example: For an identification/description of a benefit / cost **with or without** application [1]. For explanation of a benefit / cost with **no** application [1].*

- (c) Explain **one positive and one negative** impact of *FA* on the less economically developed country. [4]

Positive impacts of *FA* on the developing country include:

- Provides employment at wages better than those available in the less economically developed country.
- Was loyal during the civil war.

Theoretically possible other positive impacts include:

- Technology and skill transfers from *FA*'s host country to the less economically developed country.

Negative impacts of *FA* on the less economically developed country include:

- *FA* relies on an autocratic leadership style.
- *FA* does not use the most advanced technology in the less economically developed country.
- *FA* could leave the country, leaving many people who are currently dependent on the company out of work.
- *FA* does not provide the same employee rights provisions or health and safety provisions that it would in a less economically developed country.

Theoretically possible other negative impacts include:

- *FA* may pollute to a level in the less economically developed country that it would not in Germany.

*Mark as [2 + 2]. For [2], candidates must identify a positive and a negative impact, explain it, and apply to the less economically developed country.*

*Award [2] for a positive impact with application to the less economically developed country.*

*Award [2] for a negative impact with application to the less economically developed country.*

*If there is no application to the less economically developed country at all then the maximum mark per impact is [1].*

- (d) Evaluate the option of building a factory in, and relocating to, Germany. [10]

The option of building a factory in and relocating to Germany is a major strategic decision. In certain respects, *FA* would be an entirely different company: new products, new processes, new types of workers and new leadership styles, as well as a wholly new cultural context. Going into highly sophisticated high-tech manufacturing with robots has the potential to position *FA* for a future of highly automated manufacturing. Without making these changes, *FA* runs some risk of remaining stuck in much lower value-added processes, which in the long run are less profitable. The risks are very high. The potential rewards are high as well.

Perhaps a strategy for *FA* would be not to sell the older factory but to continue to operate it and rely on those profits to support the new factory as it gets started. Whether *FA*'s balance sheet is strong enough to operate both factories is an open question, as is the question of whether its management has sufficient depth to operate two major plants.

Balance in this context means having two arguments for opening the plant in Germany and two arguments against, which could be partially couched in a discussion of leaving the old plant open.

*Award marks according to the markbands on page 3.*

## Section C

Questions 6–8. Please mark the candidate response using the assessment criteria on pages 4–5.

6. With reference to an organization of your choice, examine the impact of **globalization** on business **ethics**. [20]
7. With reference to an organization of your choice, examine the impact of **innovation** on distribution **strategy**. [20]
8. With reference to an organization of your choice, discuss the ways in which **culture** can promote or inhibit **change**. [20]

**N.B.** Although the question asks for the application of one concept on another, it is still expected that Business Management content will be aligned with the concepts especially the second concept (the one being acted on).

Please note that candidates can conclude that there was a minimal impact, however it has to be based on balanced arguments and evaluation.

### **Additional guidance in relation to the assessment criteria**

For each criterion, the aim is to find the descriptor that conveys most accurately the level attained by the candidate, using the best-fit model. It is not necessary for every single aspect of a level descriptor to be met for that mark to be awarded.

- The highest level descriptors do not imply faultless performance and should be achievable by a candidate.
- A candidate who attains a high level of achievement for one criterion will not necessarily reach high levels of achievement for the other criteria and vice versa.

If only **one** concept is addressed:

- Criteria A, B, C and E: award up to a maximum [3].
- Criterion D: full marks can be awarded.

Where the question asks for impacts of **two concepts on content**, examiners must allow for unbalanced treatment of the two concepts throughout a candidate's response. One concept may be more significant than the other.

### **Criterion B**

For [2]: "...connection is not developed" should be treated the same as superficial.

### **Criterion C**

**1 + 1 arguments are expected per concepts.**

- Questions 6 to 8 require consideration of the impact of one concept **on** a second concept – therefore accept 2 + 2 arguments for a balanced response.
- Justification is through logic or data.
- For [2] there is no balance as there are no counter arguments at all, or the arguments are all one-sided then this would be unjustified.
- For [3] there are some balanced arguments – some of which are justified.

**Criterion D**

- *Introductions need to be concise and related to the question.*
- *The candidate’s response does not to have explicit headings for each structural element.*
- *A body is the area in which the substance of arguments occurs. It is usually located between the introduction and the conclusion.*
- *Fit-for-purpose paragraph means that ideas are presented in a clear academic way. For example, one idea per paragraph.*

**Criterion E**

- *One example of an “individual” could be an individual consumer or an individual manager. However, this cannot be considered with a “group” of consumers or a management team.*
- *For [4], a balanced response: look at the perspectives of **both** individual **and** group(s).*
- *The chosen individual, group needs to be **applicable** and **relevant** to the question with specific explanation.*
- *Candidates need to go beyond stating the stakeholder.*

*Candidates need not explicitly say “stakeholder”.*

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