

# Markscheme

**November 2022**

**Business management**

**Higher level**

**Paper 1**

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

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
1–2			<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories.</li> <li>• Little use of business management terminology.</li> <li>• Little reference to the stimulus material.</li> </ul>
3–4			<ul style="list-style-type: none"> <li>• A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories.</li> <li>• Some use of appropriate terminology.</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>• At the lower end of the markband, responses are mainly theoretical.</li> </ul>
5–6			<ul style="list-style-type: none"> <li>• An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories.</li> <li>• Use of appropriate terminology throughout the response.</li> <li>• Effective use of the stimulus material.</li> </ul>

<b>Section B Q4 (d)</b>	<b>Level descriptor</b>
<b>Marks</b>	
<b>0</b>	The work does not reach a standard described by the descriptors below.
<b>1–2</b>	<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 theory are explained or applied and business management terminology is lacking.</li> <li>• Little reference to the stimulus material.</li> </ul>
<b>3–4</b>	<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>
<b>5–6</b>	<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>
<b>7–8</b>	<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>
<b>9–10</b>	<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>

## Section A

1. (a) Outline **two** ways in which the “place” element of the four Ps of the marketing mix is relevant to *ELE*. **[4]**

Place refers to the way products are distributed. This includes both the physical distribution of the good and the channels of distribution used to get the product to the consumer.

Ways could include:

- Zeat changed from **B2B to B2C** and this involved distribution **through retail outlets**;
- using **gasoline stations as an outlet** for car hire;
- car rentals **at airports**;
- now using **online** as a **sales portal (e-commerce)**
- opening **convenience stores** gives a new distribution channel
- **specific location** of gasoline stations—on main road etc.

**N.B.** do not credit operating in different locations (France vs Belgium etc).

*Accept any other relevant way.*

**Mark as 2 + 2.**

*Award [1] for each correct way identified and an additional [1] for a description of how that way relates to ELE. Award a maximum of [2] per way.*

*Maximum award: [4].*

- (b) Explain the advantages **and** disadvantages of the methods *ELE* uses to appraise employees in its car rental division (lines 73–80). **[6]**

Methods include:

- Self-appraisal:
  - advantages: **engages** employees in the process, **efficient, low cost**; clarifies their job role and performance. Can help to identify training needs for the individual.
  - disadvantages: people **not the best people to judge themselves**, may lack foresight.
- Formative appraisal:
  - advantages: helps build an action plan, involves **feedback, continual**; clarifies their job role; can help to identify training needs for the individual.
  - disadvantages: may be **disruptive**, needs criteria which may be difficult to plan.
- Summative appraisal:
  - advantages: less disruptive; **at the end of a process**, easier to make comparisons; can help to identify training needs for the individual.
  - disadvantages: **not ongoing**, only picks up **problems at the end**. What criteria?

*Some candidates may write only about appraisal in general. This should be viewed as one method.*

*Accept any other relevant explanation.*

**N.B.** context to come from the types of appraisal described in the case study and their appropriateness.

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

*Award a maximum of [3] for a theoretical answer.*

*Award a maximum of [3] for only **one** method.*

*Award a maximum of [5] if the explanation is mainly descriptive, but in context.*



2. (a) Outline **one** advantage **and one** disadvantage for *ELE* of changing to cellular manufacturing in the *Zeat* factory (line 34). **[4]**

**The issue of changing from batch to cellular may help the answer to be contextual.**

**Advantages**

- Zeat needed **modernizing**. A useful way of achieving that;
- employees were demotivated, productivity levels are low. Cellular production **could improve** those **through team work** etc.
- motivation may improve overall with workers who have a range of skills;
- cellular manufacturing improves quality as workers have greater pride in their work.

**Disadvantages**

- **employees may resist change** especially as it was introduced rapidly;
- likely **cost**;
- **no previous experience**.

*Accept any other relevant advantage or disadvantage.*

**Mark as 2 + 2.**

*Award [1] for **one** appropriate advantage and an additional of [1] for a description of how that advantage relates to *ELE*. Award a maximum of [2].*

*Award [1] for **one** appropriate disadvantage and an additional of [1] for a description of how that disadvantage relates to *ELE*. Award a maximum of [2].*

- (b) Explain the importance to *ELE* of e-commerce. **[6]**

Importance of e-commerce to *ELE* includes:

- point of sale/inventory ordering at retail outlets;
- smartphone booking;
- online booking, especially for airports/international traveller/use of The App;
- In3T could not be introduced without e-commerce;
- customers have flexibility in booking. They are used to using the technology and car hire customers would expect to use it for this type of booking;
- customers often use comparison websites for car hire and *ELE* will need to follow this method of selling;
- there are possible cost savings compared to other forms of selling;
- selling products this way generally leads to lower overall costs;
- accurate records of customer interaction can be kept electronically.

*Accept any other relevant explanation.*

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

*Award a maximum of [3] for a theoretical answer, often a pre-prepared textbook answer.*

*Award a maximum of [5] if the explanation is mainly descriptive, but in context.*

3. (a) Outline **one** advantage **and one** disadvantage for *ELE* of internal recruitment (lines 69–72). **[4]**

Advantages include:

- can **motivate employees**;
- **employees already known**;
- employees have been **selected** in the past **using ELE's criteria**;
- **less expensive than external recruitment**.

Disadvantages include:

- there should be a wider choice of applicants;
- External recruitment can bring in new ideas to *ELE*;
- *ELE* is a business that needs to innovate;
- the quality of applicants could be higher with more choice;
- it can increase internal conflict if an internal candidate gets the job when that person is not liked.

*Accept any other relevant advantage / disadvantage.*

**Mark as 2 + 2**

*Award [1] for each correct advantage / disadvantage identified and an additional [1] for a description of how that advantage / disadvantage relates to *ELE*. Award a maximum of [2] per advantage / disadvantage.*

- (b) Explain suitable internal sources of finance that *ELE* could have used to take over *Zeat PLC* (line 19). **[6]**

Suitable internal sources of finance include:

- **retained profits**: This has been preferred method in the past. How much is available?
- sale of **unused assets**: Are there **any suitable**? There appear to be less profitable petrol stations. Can these be sold? From working capital e.g. debtors. It's very unlikely to be sufficient.
- Manage working capital more effectively.

*Accept any other relevant explanation.*

*External sources not acceptable include:*

- *bank loans*
- *selling of shares*
- *subsidies*
- *government grants*
- *business angels etc.*

**N.B.** *the case study says that internal sources were used, so do not reward external sources.*

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

*Award a maximum of [3] for a theoretical answer.*

*Award a maximum of [5] if the explanation is mainly descriptive, but in context. E.g. if most of the context is mentioned but not developed.*

## Section B

4. (a) Define the term *profit centre*. [2]

A profit centre is a **subunit** (department; section; division etc) of a business that is **responsible for revenues and costs**. If a division of a company has responsibility for revenues, costs, and the resulting profits, it is a profit centre.

For [2], candidates must reference both costs and revenues alongside the subunit shown above.

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

Candidates are **not** expected to word their definition **exactly** as above.

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full definition that conveys knowledge and understanding similar to the answer above

- (b) (i) Calculate *ELE*'s market share for car rentals in 2019 (*show all your working*). [2]

*ELE*'s revenue EUR 0.9billion. Market revenue EUR 16.8 billion

**Market share** = (EUR 0.9/EUR 16.8) x 100% = **5.36%** (allow rounding 5.3571%= 5.36%)

For [2] acceptable answers with working are: 5.36%; 5.3571%; 5.357%; 5.4%.

For [1] likely answers with working are: 5%; 5.3%.

Award [2] if correct answer, which must include the percentage sign (%) and working shown.

Award [1] if correct answer but no working, or no %.

Do not reward formula only.

- (ii) Explain **one** reason why *ELE*'s market share has grown. [2]

**Reasons could include:**

- new methods of **management**;
- more **entrepreneurial approach**;
- **target culture**, more **motivation**;
- initially, *ELE* only opened car rentals in Belgium (100 gasoline stations) but then **expanded to UK, Spain and France** (700 offices);
- **Giselle believes** that **maintaining high levels of customer satisfaction is a factor** in the car rental division's continuing success;
- act as a profit centre (entrepreneurial approach);
- new booking system (e-commerce);
- better customer service.

**N.B.** no description is required. Award [1] for a relevant reason. Plus [1] for explanation in context.

Award a maximum of [2].

- (c) Explain **two** reasons why *ELE*'s employees may have resisted the reorganization implemented by Giselle. **[4]**

Reasons could include:

- employees will not like **targets** that are **set without consultation**;
- **may lose bonuses** (only offices that met targets qualified for bonuses);
- **targets** were set by Giselle and they may be **unrealistic**;
- **employees usually resist change** – it's human nature. A lack of motivation to want to change;
- increased pressure on employees that impacts on staff motivation;
- a culture of competition;
- entrepreneurial competition leading to competition to get bonus.

Accept any other relevant reason.

**Mark as 2 + 2.**

Award **[1]** for an appropriate reason and an additional **[1]** for a description of how that reason relates to *ELE*. Award a maximum of **[2]** for each reason.

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

For example:

For an identification or a description of a reason **with or without** application **[1]**.

For explanation of a reason **with no** application **[1]**.

For explanation of a reason **and** application **[2]**.

Maximum award overall: **[4]**.

- (d) Using information from the case study and the additional information above, discuss Monica's proposal to launch In3T. **[10]**

Advantages:

- could be **first mover** advantage;
- low overheads;
- likely development within the industry so advantages of **doing it early**;
- uses **new technology**, easier to market and to make sales;
- very **convenient for customers**;
- doing it as a **trial reduces** the **risks**;
- could stay **ahead of rivals**.

Disadvantages:

- **loses** the advantage of **good customer service and well-trained staff**;
- **no** previous **experience**;
- **untried business model** (but students may relate to Uber, Zipcar etc which are tried and tested);
- fewer employees so there may have to be **redundancies**;
- only 2 years advantage over competitors;
- **how** can they **keep reputation** for good customer service?
- it **costs EUR 100million** with **payback longer** than for competitors to catch up.

Accept any other relevant discussion.

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

*Theoretical answer or context limited to naming the business or lack of development max [4].*

*Discussion of only one side of the argument marks limited to [5].*

*Discussion but no clear balance [6].*

*Proposal considered, good use of evidence, particularly from section B, but no effective conclusion award a maximum of [8].*

*For [10] the answer needs to be clearly relevant to ELE with good use of context and a clear and supported recommendation.*

