

# Markscheme

November 2017

Business management

Standard level

Paper 2

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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).

| <b>Marks</b> | <b>Level descriptor</b>  |
|--------------|--|
| <b>0</b>     | The work does not reach a standard described by the descriptors below.   |
| <b>1</b>     | Superficial knowledge of the given concepts is demonstrated. Business management content is not selected or the content selected is irrelevant.  |
| <b>2</b>     | 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.  |
| <b>3</b>     | 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. |
| <b>4</b>     | 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.**

| <b>Marks</b> | <b>Level descriptor</b>   |
|--------------|---|
| <b>0</b>     | The work does not reach a standard described by the descriptors below.  |
| <b>1</b>     | 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.  |
| <b>2</b>     | The given concepts and/or relevant business management content are connected appropriately to the real-world organization(s), but this connection is not developed.   |
| <b>3</b>     | 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. |
| <b>4</b>     | 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) Describe **one** reason why brand loyalty would be important to *PP*. [2]

Brand loyalty would be important to *PP* given that they operate in a local market with a number of competitors and that the prices they charge are higher. Given this fact, it would be critical for *PP* to have brand loyalty or their sales could fall (although not on the stimulus, sharp-eyed candidates may spot that *PP*'s pies are price inelastic given the additional information for 2018).

*Accept any other relevant description.*

*Award [1] mark for conveying some understanding that PP has considerable competition or that it charges higher prices than most of its competitors. If a candidate conveys an understanding of both of those ideas, award [2] marks.*

*A candidate can achieve one or two marks by making other accurate assertions about brand loyalty, provided they are relevant and logically reasonable (for example, brand loyalty assures some continuity of revenue or stable revenue). Award up to a maximum of [2].*

- (b) Construct a profit and loss account for *PP* for the year ending 30 April 2017 based on the figures in **Table 1** (*show all your working*). [4]

Profit and loss account for *PP* for year ended 30 April 2017:

|                                   |                 |
|-----------------------------------|-----------------|
|                                   | \$              |
| Sales (8000 × \$4)                | 32 000          |
| Cost of goods sold (8000 × 1.75)  | <u>14 000</u>   |
| Gross profit                      | 18 000          |
| <br><b>Expenses</b>               |                 |
| Electricity (12 × 200)            | 2400            |
| Rent (4 × 1000)                   | 4000            |
| Promotional                       | <u>1000</u>     |
|                                   | <u>7400</u>     |
| Net profit before interest        | 10 600          |
| <br>8 % of \$40 000               | <br><u>3200</u> |
| Net profit before tax             | 7400            |
| Tax @25 % on net profit           | 1850            |
| Net profit after interest and tax | 5550 _____      |

Award marks as follows:

|         |   |
|---------|---|
| 4 marks | Profit and loss account is correct in all respects, including labeling and format, and candidate shows working.                             |
| 3 marks | One mistake. A mistake is defined as no working or any traditional mistakes (mathematical errors, incorrect labeling, or incorrect format). |
| 2 marks | Two mistakes, as defined immediately above.   |
| 1 mark  | Three or more mistakes but still demonstrates some understanding of an income statement.  |

Candidates do not have to list all types of expenses (electricity, rent, promotion) under expenses, as the IBO format does not specify different items. Therefore, working of electricity and rent per year are not expected.

Supporting working is expected with the calculation of **total revenue/costs /interest/tax** are given.

- (c) Construct a forecasted profit and loss account for **PP for the year ending 30 April 2018** based on the figures in **Table 2** (show all your working). **[4]**

Profit and loss account for *PP* for year ended 30 April 2018:

|  |               |
|--|---------------|
|  | \$            |
| New sales quantity = $8000 \times 1.2$           | 9600          |
| New price ( $\$4 - 30\%$ ) = $\$4 - 1.2 = \$2.8$ |               |
| Sales ( $8000 \times 1.20 \times \$2.8$ )        | 26 880        |
| Cost of goods sold ( $9600 \times 1.75$ )        | <u>16 800</u> |
| Gross profit                                     | 10 080        |
| <b>Expenses</b>                                  |               |
| Electricity ( $12 \times 200$ )                  | 2400          |
| Rent ( $4 \times 1000$ )                         | 4000          |
| Promotional                                      | <u>3000</u>   |
|  | <u>9400</u>   |
| Net profit before interest                       | 680           |
| 8 % of \$50 000                                  | 4000 _____    |
| Net loss before tax                              | 3320          |

**N.B.** Do not double penalize candidates if they use the same incorrect format from part (b).

Award marks as follows:

|         |   |
|---------|---|
| 4 marks | Profit and loss account is correct in all respects, including labeling and format, and candidate shows working.                             |
| 3 marks | One mistake. A mistake is defined as no working or any traditional mistakes (mathematical errors, incorrect labeling, or incorrect format). |
| 2 marks | Two mistakes, as defined immediately above.   |
| 1 mark  | Three or more mistakes but still demonstrates some understanding of an income statement.  |

Candidates do not have to list all types of expenses (electricity, rent, promotion) under expenses, as the IBO format does not specify different items. Therefore, working of electricity and rent per year are not expected. Supporting working is expected with the calculation of **total revenue/costs /interest/tax** are given.

Please note:

If the candidate was penalised for inappropriate structure or headings/format in part (b) and repeats the same in part (c) provided that the working is correct and shown, do not double penalise and award full marks.

Generally, do not double penalise any wrong headings/ omission presented in part (b) and repeated in part (c). Question (c) is more about the manipulation/ calculation of the old figures.

However, be aware that sometimes a candidate makes a mistake in question (b) (for example, in calculating income tax) and also miscalculates income tax in question (c) but makes a different kind of error (in one instance multiplies 25 % by net profit before tax but makes a mathematical error and then, in the other instance, multiplies 25 % by net profit before interest), then each should be counted as an error.



2. (a) Describe the time rate method of paying wages. [2]

Employees are remunerated based on the duration of time that they work.

*Accept any other relevant description.*

*Award [1] for a vague description. Award [2] for a clear description similar to the answer above.*

- (b) Calculate the break-even quantity for *Moverse* (*show all your working*). [2]

$$\text{Break-even level of output} = \frac{\text{Fixed costs}}{\text{Selling price} - \text{variable cost per unit}}$$

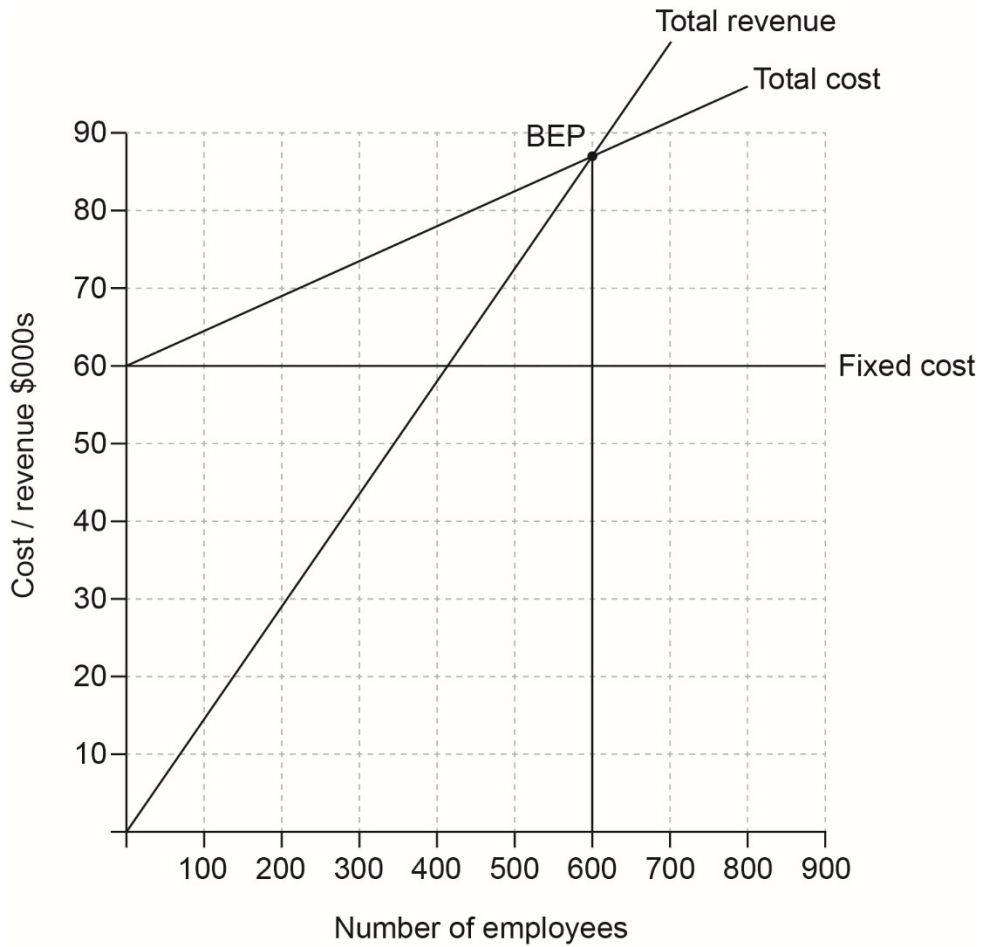
$$\frac{60\,000}{145 - 45}$$

$$= 600 \text{ employees / units / members.}$$

*Award [1] for correct working and [1] for the correct answer. Award up to a maximum of [2]. Do not penalize candidates who omit the word "unit" from their answer.*

- (c) Construct a fully labelled break-even chart, to scale, for *Moverse* if 800 employees enroll on *Moverse*'s training programmes.

[4]



Award marks as follows:

- [1] for **both** appropriately labelled axes – y-axis must include both costs and revenue. The x-axis can be any suggestion of quantity, including output
- [1] for accurately drawn and labelled total cost line.
- [1] for accurately drawn and labelled total revenue line.
- [1] for indication of break-even point. OFR applies from part (b)(i).

Award a maximum of [2] if the chart is not neat, not drawn with a straight edge, or is not to scale. **If a candidate “free hands” their break-even chart, the maximum they can receive is [2]. For two marks, the break-even chart should be largely correct – axes correctly labelled. Total revenue and Total cost lines identified and largely correct. For example, Total revenue line should start at (0,0) and total cost line should start where the Fixed cost line intersects the y axis.**

If a candidate produces a table rather than a chart, award [0].

- (d) Calculate the profit or loss if 800 employees enroll on *Moverse's* training programmes (*show all your working*).

[2]

$$\text{Number of enrolled participants} \times \text{contribution} - \text{fixed costs} = \text{profit}$$
$$800 \times 100 - 60\,000 = \$20\,000$$

OR

|                           |               |
|---------------------------|---------------|
| Revenue (800 × 145)       | 116 000       |
| Variable costs (800 × 45) | 36 000        |
| Fixed costs               | <u>60 000</u> |
| Profit                    | 20 000        |

*Award [1] for correct working (any method is acceptable as long as working is shown) and [1] for the correct answer. Award up to a maximum of [2].*

**Section B**

- 3. (a) Define the term *diseconomy of scale*. [2]

Diseconomy of scale refers to an increase in average unit cost as a business increases in size.

*Accept any other relevant definition.*

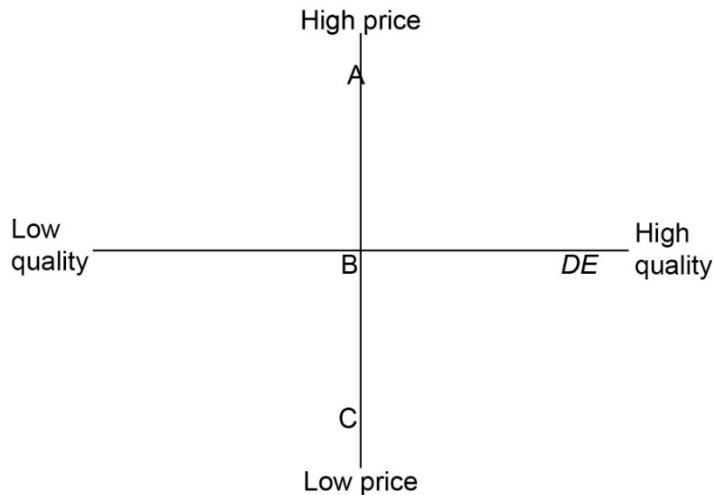
*Candidates are not expected to word their definition exactly as above.*

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

*Award [1] for a basic definition that conveys partial knowledge and understanding of the idea that a business can develop inefficiencies as it grows in size.*

*Award [2] for a full, clear description that conveys knowledge and understanding similar to the answer above. To receive [2], candidates must express the idea of an increase in per unit cost as a business increases in size. In some instances, a candidate does not have literally to say "per unit". For example, if a candidate says "average cost" and the response is otherwise sufficiently strong so that a reader can know from context that the candidate intends per unit or average unit cost, award [2].*

- (b) Using the table, construct a product position map/perception map for all four companies. [4]



*Award [1] for the overall layout of the map with both axes correctly labelled (price: high or low; quality: 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 price the horizontal axis and quality the vertical axis.

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

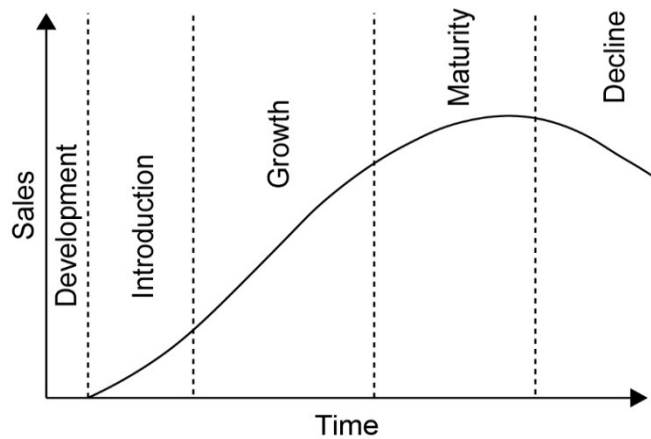
*Award [3] for a correctly labelled position map with three of the companies properly placed.*

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

If a candidate correct produces a position map, correctly labels the axes, places DE correctly on the x axis (if the position map is oriented as above), and has companies A, B, and C correctly placed in terms of price but slightly off-center in terms of quality, award **[3]** provided that A, B, and C are vertically aligned (or horizontally aligned if the map is oriented the other way).

In this case, the candidate has made one conceptual error – where to place medium quality – and repeated it two more times. Do not double and triple penalize. In effect, the candidate has drawn a correct position map and placed three companies correctly, assuming a “conceptual OFR”.

- (c) (i) Draw and label a product life cycle curve. **[2]**



Award **[1]** if the candidate demonstrates some understanding of the product life cycle curve. Award an additional **[1]** if the candidate has correctly drawn the product life cycle curve, labelled both axes correctly, and identified at least four of the following stages: development, induction, growth, maturity, and decline (candidates do not have to use precisely those terms but they should be terms of roughly equal meaning). Award a maximum of **[2]**.

**N.B.** If a candidate has at least four stages correctly drawn and identified and labeled correctly the x axis but labels the y axis “market share”, award **[2]**.

- (ii) Explain how DE’s innovation is an extension strategy. **[2]**

DE’s sales appears to have been at a maturity. Then, after the hackers, sales began to decline industry-wide. By developing an innovation that prevented the hackers from affecting the security of their product, DE was able to extend the life of its product. Sales not only returned to prior levels but actually began to increase.

Award **[1]** if candidates convey some understanding of an extension strategy. Award **[2]** for a clear explanation.

If a candidate merely draws and labels an extension curve on their product life cycle, award **[1]** for 3 (c) (ii).

- (d) With reference to *DE*, discuss the merits of small organizations compared to large organizations.

[10]

In general, advantages of large businesses include:

- an enhanced ability to survive
- economies of scale
- higher status
- market leader status
- increased market share.

In general, advantages of being small include:

- greater focus
- greater cachet
- greater motivation
- competitive advantage
- less competition.

In the case of *DE*, the above advantages would in general apply. However, the circumstances can be further nuanced based upon the stimulus. Traditionally, the company was small and had a focus on quality, arguably its unique selling point. As the company grew, many insiders worried that *DE* would lose its focus on quality. Now, if it is to have cachet, it will have to rebrand itself and base its USP more on the security that its product offers.

Although the company probably also experienced a number of economies of scale, it was also experiencing some diseconomies, which invariably reflect that some inefficiencies from growth have crept into the business. With growth, *DE* has probably expanded its workforce. An increase in employees could change the character of the organization. Communication would be more difficult, both in the literal sense (having to communicate to a larger number of people) and in the figurative sense (new employees do not know the “unwritten” rules and norms of an organization, so greater care has to be taken in all communications).

An increase in size brings both advantages and disadvantages. In general, the larger the organization, the more it can benefit financially from size – more product lines and products and, with a diversity of revenue streams, an enhanced ability to survive. However, in *DE*'s case, it still has only one product. If the company grows and it increases its fixed costs, it takes some risks. If one of its competitors develops an ability to provide comparable security to the product of *DE*, *DE*'s sales could fall – but it may now be committed to higher fixed costs.

Candidates are expected to provide conclusions and judgment.

*Accept any other relevant answer.*

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

*A balanced response is one that provides at least two arguments for and two arguments against the option.*

*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].*

*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 their answer.*

| Maximum Mark award | Small organization                    | Large organization | Judgments/conclusion  |
|--------------------|---------------------------------------|--------------------|---|
| 3                  | One or the other in an unbalanced way |                    | N/A   |
| 4                  | Unbalanced                            | Unbalanced         | N/A   |
| 5                  | One balanced and one unbalanced       |                    | N/A   |
| 6                  | Both balanced                         |                    | No judgments/conclusions<br><b>OR</b><br>judgements are simple and unsupported        |
| 7–8                | Balanced                              |                    | Judgments/conclusions based upon analysis and explanation in the body of the response |
| 9–10               | Balanced                              |                    | Judgments/conclusions based upon analysis and explanation in the body of the response |

4. (a) State any **two** stages of the working capital cycle. [2]

Typically, stages of the working capital cycle include:

- purchase of materials from suppliers
- production of goods
- goods sold, typically on credit (unless a retail store)
- payment received by debtors.

*Candidates are not expected to label the stages exactly as above. These responses may be brief and still get marks. Candidates need merely state the stages with no further description or elaboration.*

*Award [1] for each stage of the working capital cycle stated up to a maximum of [2].*

(b) Calculate for GT:

(i) the payback period for the €44 million investment in new equipment based on the forecasted increase in net cash flow (*show all your working*). [2]

$$\begin{aligned} \text{Payback period} &= \frac{\text{initial investment cost}}{\text{Annual cash flow from investment}} = \frac{\text{€44 000 000}}{\text{€8 000 000}} \\ &= 5.5 \text{ years} \end{aligned}$$

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

(ii) the average rate of return (ARR) based on an annual increase in net cash flow of €6000 and assuming an asset life of the new equipment of eight years (*show all your working*). [2]

$$\begin{aligned} \text{Average rate of return (ARR)} &= \frac{(\text{Total returns} - \text{total cost})}{\frac{\text{years of usage}}{\text{capital cost}}} \times 100 \\ &= \frac{(48\,000\,000 - 44\,000\,000)}{\frac{8}{44\,000\,000}} \times 100 = 1.14\% \quad \text{Accept } 1.1\% \end{aligned}$$

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



- (c) With reference to *GT*, explain **one** advantage and **one** disadvantage of debt factoring.

[4]

Advantages of debt factoring. The business (*GT*):

- does not have to carry the invoice (receivable) for the duration (or longer) of the credit terms but rather receives cash immediately upon sale to the factor. Thus, factoring reduces the working capital requirements.
- does not have to provide any collateral. Unlike when taking out a revolving or seasonal line of credit, the business does not have to provide a lender with collateral. As a result, the business may use any assets it has available for collateral for other borrowing requirements.
- does not have the credit risk of the debtor, as the factor assumes the credit risk (though, over time, if *GT* routinely sold uncollectable invoices, the factor would adjust its discount rate to account for credit losses or not purchase invoices from certain customers). Without the credit risk, the business does not have to have a collections employee/department and will not have credit losses.

The disadvantages of factoring include:

- The high cost. While the discount rate may vary, the discount rate used by debt factors almost always equates to a higher rate of interest than a loan. Thus, the cost of debt factoring is high.
- Loss of control. Collection of the invoice is in the hands of the factor, who may or may not use collection methods consistent with the approach of the business selling the invoices. Customer relations could suffer if the factor uses harsh collection methods or a negative tone in collection.
- Damage to reputation. In general, some stigma is attached to reliance on debt factors, as it alerts customers that the business (*GT*) lacks working capital or the ability to borrow. A poor reputation weakens a firm's ability to negotiate and may mean loss of customers (businesses want suppliers who are reliable).

*Accept other relevant advantages and disadvantages.*

**Mark as 2 + 2.**

*Accept any other relevant advantage / disadvantage.*

*Accept any other relevant explanation.*

**Mark as 2 + 2.**

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

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

*For example:*

- *For an identification or a 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) Examine Elaine’s proposals to cut back on “GT’s commitment to its employees and CSR practices”.

[10]

The main thrust of this question is for candidates to consider the difficult financial situation that GT has gotten itself into and how the company may try to resolve the issue. The CFO’s idea to cut back on GT’s commitments to employees and to CSR rests on the notion that commitments to employees and CSR are costly and that saving those expenses could help pay for the commitment and generate profits to support much needed working capital. However, the stimulus makes clear that commitments to employees and CSR are core values of the company and possibly the very basis for the success of the company. To eliminate them or weaken them may cause other (costly) issues for the business.

Candidates should distinguish between commitments to employees and commitments to CSR. Cutting commitments to employees would erode trust and loyalty, bringing long-term damage to the company, whereas cutting CSR for a short period of time is more justifiable and explainable. Candidates may want to propose other solutions – selling assets, other sources of finance, etc.

Balance in the context of this question means nuanced advantages and disadvantages of cutting back on GT’s commitments to employees and to CSR. If candidates do not treat commitment to employees and commitment to CSR separately, award a maximum of [7].

Candidates are expected to provide conclusions and judgment.

*Accept any other relevant answer.*

Marks should be allocated according to the markbands on page 5 with further guidance below.

*A balanced response is one that provides at least two arguments for and two arguments against the proposal.*

*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].*

*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 their answer.*

| Maximum Mark award | Employees   | CSR Practices | Judgments/conclusion  |
|--------------------|---|---------------|---|
| 3                  | One or the other in an unbalance way or treating both as together in an unbalanced way. |               | N/A   |
| 4                  | Unbalanced  | Unbalanced    | N/A   |
|                    | Treating both together in a balanced way.   |               |   |
| 5                  | One balanced and one unbalanced   |               | N/A   |
| 6                  | Both balanced   |               | No judgments/conclusions <b>OR</b> judgements are simple and unsupported              |
| 7-8                | Balanced  |               | Judgments/conclusions based upon analysis and explanation in the body of the response |
| 9-10               | Balanced  |               | Judgments/conclusions based upon analysis and explanation in the body of the response |

*If a candidate does treats the two issues as one, maximum award [4].*

5. (a) Define the term *ethical objective*. [2]

Ethical objectives are the goals of a business based on a set of values or moral beliefs. They should cover all the actions of an organization and guide its decision-making process and strategies. Ethical objectives at GC: using environmentally friendly products to reduce pollution; paying fair wages.

*Accept any other relevant definition.*

**N.B.** *no application required. Do not credit examples alone. The candidate must provide a definition.*

*Award [1] for a basic definition that conveys partial knowledge and understanding (Ethical objectives are the goals of a business based on a set of values or moral beliefs).*

*Award [2] for a full definition that conveys knowledge and understanding similar to the answer above, especially the idea that ethical objectives are more expansive than doing some ethically upstanding act (giving to a charity, paying for employees' attendance at night school, etc.)*

- (b) Explain **one** advantage and **one** disadvantage for GC of recruiting gardeners externally. [4]

Advantages could include:

- GC will have access to a larger pool of applicants for the job. They will increase their chances of recruiting trained professional gardeners to offer a wider range of quality services.
- New employees will have the necessary professional qualifications when hired.
- Recruiting externally could bring younger workers to the company that could help to motivate current employees and provide a fresher outlook at GC.

Disadvantages of recruiting gardeners externally:

- Recruiting gardeners externally can damage morale and motivation at GC. Cleaners may feel it lessens their chances of becoming gardeners. Productivity in the cleaning services may fall. Conflict with the union may arise and erode the working environment at GC.
- External recruitment could take more time, especially if in the labour market it is difficult to find professional gardeners.
- Externally recruited gardeners could take more time to adjust and adapt to the organization.

*Accept any other relevant advantage or disadvantage.*

**Mark as 2 + 2.**

*Award [1] for identifying or describing the advantage / disadvantage of recruiting gardeners externally and a further [1] for a development with respect to GC. Award a maximum of [2].*

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

*For example:*

- *For an identification or a 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].*

- (c) Explain **one** advantage and **one** disadvantage for GC of using off-the-job training for the cleaners who would like to become gardeners. **[4]**

Advantages include:

- An external provider is likely to have more expertise and knowhow in gardening than GC.
- It could help motivate cleaners who may see training to become a gardener as a form of promotion due to the higher wage paid.

Disadvantages include:

- Assuming that the training will take place during work time, there will be some disruption to productivity in addition to the cost incurred for the training itself.
- It is difficult for GC to monitor what the trainees have learnt. Will there be an examination at the end of the course?

**Mark as 2 + 2.**

*Award [1] for identifying or describing the advantage / disadvantage of off-the-job training and a further [1] for a development with respect to GC. Award a maximum of [2].*

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

*For example:*

- *For an identification or a 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 **two** motivation theories, examine the motivation of cleaners at GC.

[10]

GC wants to recruit professional gardeners and pay them higher wages. This decision is causing resentment among current cleaners at GC.

Candidates may refer to the following motivation theories: the works of Taylor, Maslow, Herzberg, Adams, Pink.

Candidates are expected to use two theories in order to examine the motivation of cleaners. Candidates are tested on their ability to apply theories with constant use of, and reference to, the information from the stimulus.

- Herzberg's motivation factors, for example, can be widened so as to include job satisfaction through being treated fairly, especially as the cleaners perceive the gardeners to be at the same skill level as themselves.
- Candidates could use Adams' theory in relation to the rewards from GC not meeting the efforts that cleaners are putting in. Though HR are considering offering employee share ownership scheme, which, if introduced, may cause resentment among shareholders as their wealth is shared.
- Maslow's higher level of needs can be reached due to empowerment and trust. Although cleaners are often low skilled they are trusted to work in various environments.
- Taylor says that people are motivated by economic factors. The cleaners may feel demotivated from being paid less than gardeners.

Candidates should demonstrate an understanding that paying gardeners a higher wage is causing insecurity and a feeling of injustice among cleaners. It is likely that they are scared of the change. Some of them have worked for GC for over two decades. Consequently, the cleaners are becoming demotivated and may reduce their efforts. Some employees might not be interested in training to become gardeners but want to be treated fairly.

*Accept any relevant theory that is applied to the information given in the stimulus material.*

*Theorists and theories should be applied not just mentioned. If a candidate does not apply the theories, maximum award [2].*

*Accept any other relevant examination.*

*A conclusion with judgment is expected.*

*A balanced response is one that covers two motivation theories.*

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

*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].*

*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 their answer.*

| Maximum Mark award | Theory #1  | Theory #2 | Judgments/conclusion  |
|--------------------|--|-----------|---|
| 3                  | One theory, one consideration  |           | N/A   |
| 4                  | One theory, two considerations<br>Or<br>Two theories, one consideration each |           | N/A   |
| 5                  | One theory, two considerations and Second theory, one consideration          |           | N/A   |
| 6                  | Two theories, two considerations each  |           | No judgments/conclusions<br><b>OR</b><br>judgements are simple and unsupported        |
| 7–8                | Balanced   |           | Judgments/conclusions based upon analysis and explanation in the body of the response |
| 9–10               | Balanced   |           | Judgments/conclusions based upon analysis and explanation in the body of the response |

## Section C

Marks should be allocated using the assessment criteria on pages 6 to 7 with further guidance below.

***N.B. examiners should include a breakdown of each mark awarded per criterion and a brief note explaining the mark awarded at the end of each candidate's response.***

The main aim of paper 2 (SL or HL) section C is to assess candidates' understanding of the six major concepts (change, culture, ethics, globalization, innovation, strategy) within a business context. Candidates are to demonstrate their understanding through an organization of their choice. The expectation of the use of an organization is to allow assessment of the depth of candidates' understanding through their ability to apply the concepts and their knowledge.

Assessment of candidates' knowledge of the organization itself is not an aim of the assessment. If a candidate makes minor factual errors and these minor errors have no genuine bearing on whether the candidate understands the concepts, examiners should not penalize. For example, a minor error of historical fact (the year when a company was founded, for example, or the year in which a change was implemented) that has no genuine bearing on candidates' understanding of the concepts does not warrant penalty.

### Individual question marking notes

6. With reference to an organization of your choice, examine the impact of **innovation** on operations management **strategy**. [20]
7. With reference to an organization of your choice, discuss the ways in which **globalization** can influence organizational **culture**. [20]
8. With reference to an organization of your choice, discuss the ways in which **ethics** and **change** can influence human resource management. [20]

It is expected that the candidate explains the chosen theoretical direction / content of their response.

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## Section C

### 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.

In section C, the question rubric explicitly states that “organizations featured in sections A and B and in the paper 1 case study may not be used as a basis” to candidate's answers to questions 6, 7 and 8. When this happens please award marks as follows:

- Criterion A: award a maximum of **[1]**. The business management content cannot be relevant if the organization is fictitious.
- Criterion B: 0 marks – there is no connection to a “real-world organization”.
- Criterion C: award a maximum of **[1]**. The arguments cannot be relevant if the organization is fictitious.
- Criterion D: mark as normal.
- Criterion E: award up to a maximum of **[1]**. The individual and/or group perspective(s) cannot be relevant if the organization is fictitious.

#### **Criterion B**

- For **[2]**: “...connection is not developed” should be treated the same as superficial.

#### **Criterion C**

- 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 is 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 occur. 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 could not be considered with a “group” of consumers or a management team.
- For **[4]**, a balanced response: need to 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”.