National
Qualifications
2015

2015 Business Management

New Higher

Finalised Marking Instructions

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General Marking Principles for Higher Business Management

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this paper. These principles must be read in conjunction with the specific Marking Instructions for each question. The marking schemes are written to assist in determining the 'minimal acceptable answer' rather than listing every possible correct and incorrect answer.

(a) Marks for each candidate response must <u>always</u> be assigned in line with these General Marking Principles and the Specific Marking Instructions for the relevant question.

(b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.

(c) If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader.

(d) For each candidate response, the following provides an overview of the marking principles. Refer to the specific Marking Instructions for further guidance on how these principles should be applied. Marks will be awarded as follows for:

(i) Questions that ask candidates to "Describe …"
Candidates must make a number of relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.
Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.
Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant factual point.
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(ii) Questions that ask candidates to "Explain…"
Candidates must make a number of accurate relevant points that relate cause and effect and/or make the relationships clear. These points may relate to a concept, process or situation.
Candidates may provide a number of straightforward points of explanation or a smaller number of developed points, or a combination of these.
Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant point of explanation.
- **1 mark** should be given for a further development of a relevant point, including exemplification when appropriate.

(iii) Questions that ask candidates to "Compare …"
Candidates must demonstrate knowledge and understanding of the similarities and/or differences between things, methods or choices, for example. The relevant comparison points could include theoretical concepts.
Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of comparison.

(iv) Questions that ask candidates to "Discuss …"
Candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.
Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of knowledge that is clearly relevant.

- **1 mark** should be given for any further development of a relevant point, including exemplification or a conclusion when appropriate.

Detailed Marking Instructions for each question

SECTION 1 – CASE STUDY

Question			Expected Answer(s)	Max Mark	Additional Guidance
1.	(a)	(i)	• The type of production used to produce Google's headquarters is Job Production which is producing a single product/one off product/products to exact requirements	**1**	Only accept a description of job production.
		(ii)	**Advantages** • The headquarters can be designed to exact specifications • A higher price can be charged • It allows the customer to change the design/make alterations during the process • More motivated staff • Will improve an organisation's competitiveness if it is the only one that can provide non-standard products **Disadvantages** • The wages paid will need to be higher to reflect staff skills ○ This will increase the overall final price of the product which may put some customers off • There can be higher than average R&D costs • Costs are high as a variety of machinery/tools are required which may often be laying idle • Lead times can be lengthy	**5**	Consequential marks can be credited for discussing the advantages and disadvantages of other methods of production described in (a)(i). Maximum **4 marks** for advantages or disadvantages.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(b)		• Allows organisation to spread risk over different markets • Can meet the needs of different market segments • 'Cash cows' can fund other, riskier, ventures • 'Stars' can allow a business to be a market leader • 'Problem Child' products give businesses opportunity to invest • 'Dogs' should be divested • Increased profits can arise from selling different products • Newer products can replace those at the end of the life cycle • A range of products increases brand awareness • Easier to launch new products with large existing portfolio	**5**	Award **1 mark** for each valid description given. Award **1 mark** for each valid development point. Max **4 marks** per advantage.

Question			Expected Answer(s)	Max Mark	Additional Guidance

	(c)		• Google uses flexible working patterns which means staff work when is best suited to them/ when they are most productive
			• Staff can work from home/where they want which might motivate them to be more productive
			• Open plan/relaxed office layout encourages collaboration which means better communication and idea sharing
			  ○ This will also lead to better decisions being made
			• Perks such as pool tables, bowling alleys, gyms etc will mean staff are motivated and will work to a better standard
			  ○ This will also mean staff turnover will also be low meaning quality trained staff aren't lost to competition
			  ○ Perks will also attract the best staff to Google meaning they have an advantage over the competition
			• Roof gardens, coffee shops etc will encourage staff to communicate with each other in a relaxed informal way, leading to better decision making
			• Casual dress code will mean there is a relaxed environment in which to work in/will mean staff want to come to the office
			• Strong corporate identity through corporate colours/language and jargon etc which will mean employees feel part of the organisation
			• Use of relaxed and informal language means staff feel comfortable working there and perform well
				4	Award **1 mark** for each valid explanation given.
					
					Award **1 mark** for each valid development point.
					
					Accept explained benefits for the employee eg reduction in stress etc

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(d)	(i)	• Revenue (sales): The amount of money received for selling goods or services during the year • Gross Profit: The profit made from buying and selling **OR** • GP is calculated by deducting cost of sales from sales revenue	**2**	
		(ii)	Possible trends: • Profit has increased • Gross profit has increased • Profit for the year (Net Profit) has increased	**1**	If a candidate has calculated ratios then the profitability is seen as going down – this should be credited.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(e)		Horizontal integration • Google could acquire (takeover) or merge with a business in the same sector of industry as it Vertical integration • Google could acquire (takeover) or merge with a business in an earlier (backward) or • Later (forward) sector of industry as it Conglomerate integration/diversification • Google could acquire (takeover) or merge with a business in a completely different market as it Outsourcing • Google could contract out some of its procedures (eg catering, admin etc) • To allow it to concentrate on core activities Divestment • Google could sell off parts of its business to raise money to fund external growth eg takeover Management buy-in… Merger… Takeover… Asset stripping…	**4**	Award **1 mark** for each valid description given. Award **1 mark** for each valid development point. Maximum of **3 marks** per method. Accept advantages and disadvantages as development. **Do not accept** internal methods of growth. Watch for repetition between merger/takeover and horizontal integration. Watch for diversification and only award if clearly external.

Question			Expected Answer(s)	Max Mark	Additional Guidance

	(f)		**Advantages**
			
			• Fresh, new ideas/skills are brought into the business
			• Wider pool of talent to choose from
			• There is no 'gap' created by promoting from within
			• It can avoid jealousy being created from one existing staff member being promoted over another
			
			Disadvantages
			
			• Timely to recruit and select from such a vast pool
			• Induction training will have to be carried out
			  o Production time lost
			  o Can be costly
			• Staff may be de-motivated because there is no internal promotion
			• New employee is unknown to the organisation
				5	Award **1 mark** for each valid discussion point given.
					
					Award **1 mark** for each valid development.
					
					No mark for a description of external recruitment.

	(g)		• Google has a charitable arm called Google.org which promotes renewable energy
			• Funding environmental research proves Google is willing to pay to help the environment
			• Google uses solar panels at the Googleplex to reduce its carbon footprint
			• Google focuses on air quality/letting less harmful chemicals into the environment
			• Google offers free EV charging stations for employees vehicles to reduce emissions
			• Google treats its staff well eg
			  o Publicity in Fortune: Best Company To Work For
			  o Perks such as flexible working, gym equipment etc
				3	Award **1 mark** for each valid description given.
					
					Award **1 mark** for each valid development.
					
					Max **2 marks** per way.
					
					Candidates must describe how each way demonstrates CSR.

SECTION 2

Question			Expected Answer(s)	Max Mark	Additional Guidance
2.	(a)		• Free samples to try • Free entry to competitions • Demonstrations of products - let customers see/try new product before buying • Credit facilities allow customers to buy and pay back over a period of time • Free gift with purchase of the new product • BOGOF – buy new product, get another item free • Free delivery with purchase • Offering discounts/promotional pricing	**4**	Award **1 mark** for each valid description. Award **1 mark** for a development of a description. Max **3 marks** per sales promotion. Candidate responses must be suitable for promotion of a new product. Accept into the pipeline promotions if suitable for a new product eg sale or return. **Do not accept** advertising.
	(b)		• Type of Product – suitable transportation/storage for type of product; product durability eg electrical, frozen food, flowers, liquid, livestock • Finance available – if finance is limited this may affect the choice of channel selected • Image of Product – channel should reflect the quality of the product eg high quality distributed through exclusive, up-market retailers • Legal restrictions – some products can only be sold in certain ways/places eg cigarettes/alcohol/medicines • Where the product is in its life cycle – as it progresses through growth to maturity it needs to be more available to the market • Distribution capability of the organisation – does it have transport or does this need to be outsourced • Technical products – if highly technical it may need to be demonstrated through direct sales	**4**	Award **1 mark** for each valid discussion point. Award **1 mark** for a development of a discussion point. Max **3 marks** per factor. **Do not accept** physical methods of distribution. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(c)		• Random sampling is when respondents are picked randomly **whereas** quota is picked from a group of people with specific characteristics • Random uses pre-selected respondents who must be interviewed **whereas** Quota allows researcher to find respondents who fit the characteristics required • Random is expensive to carry out because specific respondents must be interviewed and contacted until they are available **whereas** Quota is less expensive as the interviewer simply needs to find suitable respondents • Random sampling reduces biased results because of method of selection of respondents **but** bias can occur with quota sampling as the interviewer decides who to question	**2**	Award **1 mark** for each valid comparison. Candidates must demonstrate knowledge and understanding of the differences and/or similarities between the methods of sampling. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
3.	(a)		**Advantages** • Stock may be ordered in bulk and economies of scale taken advantage of • Reduced risk of pilferage as staff may be employed to monitor issues of stock • Stock is maintained in appropriate conditions which reduces waste • No space is taken up in departments with storage • Specialist staff handle stock more efficiently • Centralised warehouse can be cheaper than using multiple warehouses • Centralised ensures consistent stock handling procedures **Disadvantages** • More time is taken to access stock – physically moving the stock to department and the paperwork involved • Additional staff increases costs • Cost of specialist equipment and storage facilities • Not reflective of actual stock usage in each division/branch	**4**	Award **1 mark** for each valid description. Award **1 mark** for a development of a discussion point. Max **3 marks** for advantages or disadvantages. Pilferage/theft can also be a disadvantage as holding large volumes of stock can make theft easier to cover up.

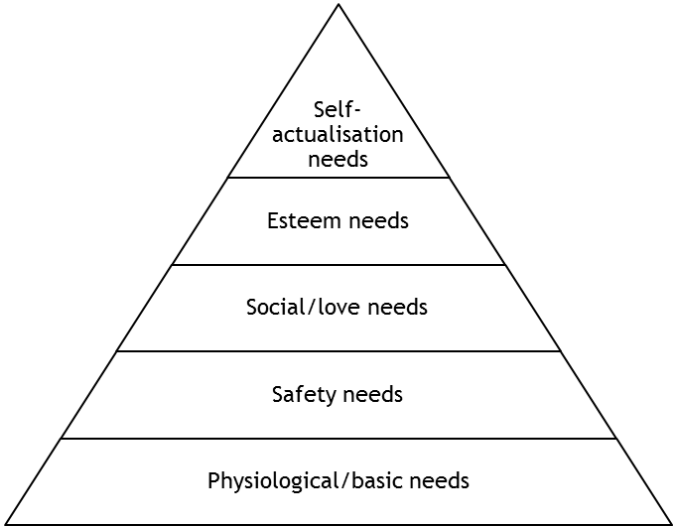
Question			Expected Answer(s)	Max Mark	Additional Guidance

	(b)		• It is harder to cope with unexpected changes in demand which means customers may go elsewhere
			• If customers are forced to go elsewhere for a product they may be lost completely to a competitor
			• Could cause delays in production or possibly halt production as there are no raw materials to use in production
			  o Which can mean paying for workers who aren't producing any goods
			• Continually ordering stock can mean increased administration costs
			• Increased transport costs due to the number of deliveries taking place
			  o Can also increase carbon footprint
			• Increased unit costs due to making small orders as opposed to buying in bulk
			• Relies on good communication/relationships with suppliers to work effectively
				4	Award **1 mark** for each explained disadvantage.
					
					Award **1 mark** for a development of an explained disadvantage.
					
					Max **3 marks** for each disadvantage.

	(c)		• Fairtrade certification improves the image of the organisation • Attracts consumers who have positive attitudes towards products which are ethically made • The Fairtrade trademark can be used as a marketing tool • The trademark shows international standards have been met • Higher prices can be charged for Fairtrade products • May attract staff who wish to work for an ethical company	**2**	Award **1 mark** for each valid description. Max **1 mark** for each benefit.

Question			Expected Answer(s)	Max Mark	Additional Guidance
4.	(a)		• They help to highlight periods when cash flow problems may occur; ○ This allows the organisation to take corrective action • Cash budgets can be used to secure borrowing/show potential investors • They can be used to make comparisons between actual spending and targeted spending • They can show periods of surplus cash which could be used for capital investment • They can be used to give departments/managers a budget/target to focus on • They can be used to aid future financial planning • They can help to measure performance of organisation/departments	**4**	Award **1 mark** for each valid description. Award **1 mark** for a development of description. Max **3 marks** per advantage. Max of **1 mark** for reference to forecasting/planning. Accept any other suitable response.
	(b)		• To measure the organisation's market share • To compare costs eg expenses • To compare GP%/NP% • To find out if they may be a target for takeover • To help their own decision making • To compare prices • To offer better salaries	**2**	Award **1 mark** for each valid description. Accept any other suitable response.

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(c)		Share issue • Shareholders become owners of plc which may mean founders lose control • Large sums of money can be raised by this method Government grant • May take a long time to secure the grant • Must meet specific conditions to secure grant • Does not have to be paid back Bank loan • Simple and fast way to increase finance in business • Interest charges may affect cash flow in a negative way • Repaid in instalments which aids budgeting Commercial mortgage • Repaid with interest over long term Debentures • Interest is charged and may affect cash flow Venture capital/business angels • Will provide capital when banks think it is too risky; advise and support may also be provided to help improve/grow the business Hire purchase… Leasing…	**4**	Award **1 mark** for each valid discussion point. Award **1 mark** for a development of a discussion point. Max **3 marks** per source. Accept description marks for each source. **Do not accept** overdraft, trade credit and debt factoring or sale of assets. **Do not accept** share issue as a quick/fast or easy method of raising money.

Question			Expected Answer(s)	Max Mark	Additional Guidance
5.	(a)		• Maslow's theory classifies human needs and how they are related to each other (hierarchy) • A person starts at the bottom of the hierarchy and will initially seek to satisfy basic needs eg food and shelter o These can be satisfied through pay • Once these needs have been satisfied they are no longer a motivator • The next level which is security and protection (safety needs) o Job security/safe working environment • The next level is social/love and belonging needs where most people want to belong to a group o Working with colleagues who provide support, teamwork communication • Esteem needs are about being given recognition for a job well done o A promotion might achieve this • Self-actualisation is how people realise their potential o May be measured by the extent of success and/or challenge at work • If management can identify which level each employee has reached they can decide on suitable rewards	**4**	Award **1 mark** for each valid description. Award **1 mark** for development. Max **3 marks** per feature. Award **1 mark** for a diagram showing the 5 stages in the correct hierarchy. If the diagram contains detail of each feature additional marks can be awarded. 

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(b)		• Employees will have their chance to discuss changes or grievances so will feel happier and more secure in the workplace • It will be easier to introduce change within the organisation as staff will become flexible with suggestions from management • Disputes are less likely to arise as the workers will have been consulted and understand what it is that the employer is trying to achieve through the changes and why the changes are necessary • Good employee relations mean that the workforce will be committed and will help ensure the business meets its objectives • The organisation will gain a good image for treating its employees correctly and maintaining good employee relations and therefore will attract new employees easily	**3**	Award **1 mark** for each explanation. Award **1 mark** for development of each explanation. Max **2 marks** for each benefit.

	(c)		• Avoids discrimination within the workplace
			• Requires organisations to promote equality
			• They must ensure that their recruitment policies are compliant with the act
			• They must have comprehensive anti-discrimination and harassment policies in place
			• Action needs to be taken against barriers that prevent employees with protected characteristics from carrying out their job, making it accessible for them
			  ○ Ensuring disability access in the workplace may be costly
			• The organisation must investigate any accusations of discrimination and take action where necessary
			• The organisation may face legal action
			  ○ Could result in fines/sanctions
			  ○ Reputation may be negatively affected
				3	Award **1 mark** for each point of discussion.
					
					Award **1 mark** for development of each explanation.
					
					Max **2 marks** for each effect.
					
					Each protected characteristic can be credited providing a different effect for each is given.

[END OF MARKING INSTRUCTIONS]