

OXFORD

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AQA EXAMINATIONS

INTERNATIONAL A-LEVEL

BUSINESS

BU03

Unit 3: Business Strategy

Mark scheme

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221xBU03/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

| | |
|-----|--|
| AO1 | Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues. |
| AO2 | Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues. |
| AO3 | Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences. |
| AO4 | Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues. |

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level.

The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives (see page 19) and be careful not to over/under credit a particular skill. For example, in question 11 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 40 marks

| Question | Part | Marking guidance | Total marks |
|----------|------|--|--|
| 1 | 1 | <p>Using Table 1, calculate the increase in LEMI's labour turnover from 2018 to 2020.</p> <p>If candidate's answer is = 11% (3)</p> <p>Labour turnover = staff leaving/average number of staff x 100 (1)</p> <p>Labour turnover in 2020 = $(900/2500) \times 100 = 36\%$ (1)</p> <p>Increase in labour turnover = $36\% - 25\% = 11\%$ (1)</p> <p>Candidates may calculate $(11/25) \times 100 = 44\%$. If candidates state 44% as an answer, award 3 marks</p> <p>Further guidance: use own figure rule (OFR)</p> | <p>3</p> <p>AO1 = 1 AO2 = 2</p> |

| Question | Part | Marking guidance | Total marks |
|----------|------|---|---|
| 1 | 2 | <p>Many of LEMI's employees joined the business in the last year.</p> <p>Analyse one way this may lead to a decrease in LEMI's profits.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • New employees require training in retail customer service that is expensive, leading to increased costs. Whilst training new employees will not be serving customers, leading to reduced revenue. • New employees require close supervision from supervisors and managers requiring an increase in senior personnel, increasing costs. • Not being able to provide customer advice on home improvement products due to lack of experience, therefore, losing sales. • Taking longer to serve customers, requiring more employees to be working at any one time, therefore, increasing costs. • New employees will require recruiting, increasing the costs of advertising for applicants and selecting, through interviews. <p>Good response 4 marks Candidate is able to link new employees to profit and applies answer effectively to LEMI.</p> <p>Reasonable response 3–2 marks Candidate discusses disadvantage of new employees, but either does not link this to profit or does not apply to LEMI.</p> <p>Limited response 1 mark Candidate is able to suggest problem of new employee.</p> | <p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p> |

| Question | Part | Marking guidance | Total marks |
|----------|------|--|--|
| 1 | 3 | The country has poor road and internet infrastructure. Analyse how this poor infrastructure may impact on LEMI's profits. | 9 AO1 = 2 AO2 = 1 AO3 = 6 |

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

| Level | Marks | Descriptor |
|-------|-------|--|
| 3 | 7 – 9 | A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured. |
| 2 | 4 – 6 | A reasonable response which focuses on some of the demands of the question <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. |
| 1 | 1 – 3 | A limited response that has little focus on the demands of the question A limited response with some understanding that may: <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely. |
| | 0 | No credit worthy material. |

The demands of the question are:

- to demonstrate an understanding of infrastructure
- to analyse how the country's poor infrastructure may impact profits
- in the context of LEMI

Indicative content

- LEMI has an objective of 95% of items being available in store, if the road infrastructure causes this to fail this will reduce customer satisfaction / not meet customer expectations this could potentially reduce sales and revenues. If no change in costs profits will fall.
- In response to the poor infrastructure it is stated that LEMI has decided to increase buffer inventory. This will increase costs e.g. warehousing and the holding of more current assets, and other things remaining equal this could decrease profits.
- Several of LEMI's innovative ideas rely on the internet / smart phone networks. If the infrastructure is inadequate then the functionality of these innovations may be limited and customers may find the ideas less attractive – reducing sales; revenue and potentially profit if costs remain unchanged.

Accept any other valid content.

| Question | Part | Marking guidance | Total marks |
|----------|------|--|--|
| 1 | 4 | <p>The managers of LEMI believe further investment in innovation will definitely increase its profitability. Do you agree?</p> <p>Assess the arguments for and against and make a judgement.</p> | <p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p> |

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

| Level | Marks | Descriptor |
|-------|---------|--|
| 4 | 10 – 12 | <p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p> |

| | | |
|---|-------|---|
| 3 | 7 – 9 | <p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p> |
| 2 | 4 – 6 | <p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p> |
| 1 | 1 – 3 | <p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding.</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely. |
| | 0 | <p>No credit worthy material.</p> |

The demands of the question are:

- analyse the case for and against
- in the given context
- of innovation increasing profitability
- and to make a judgement.

Indicative content

Possible arguments for:

- Profits at LEMI have doubled from \$120m to \$240m.
- This increase in profits has been despite the market for home improvement not having increased in the last 5 years. Therefore, the business must have attracted customers from competitors.
- LEMI targets middle to high income customers. The innovative introduction of new technology products, which could be sold using price skimming could have achieved significant profits.
- The middle and high income customers that LEMI targets also demand a higher level of customer service, which is provided by the reservation and delivery app and the software enabling products to be virtually viewed in the customers' home. These innovations are likely to significantly increase demand, therefore, revenue and profit.

Possible arguments against:

- The business has increased its number of shops from 10 to 30. Therefore, the profit should have tripled not just doubled.
- Some new products had to be sold at a loss.
- The development of the new website and apps would have been expensive reducing profits.

It depends upon:

- Whilst the overall home improvement market has not grown has the market segment for middle and high income customers grown?
- How hard LEMI's competitors fought to prevent LEMI from taking its customers? Four of these businesses are larger than LEMI and, therefore, should have benefitted from greater economies of scale, enabling them to counter LEMI's threat.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

| Question | Part | Marking guidance | Total marks |
|----------|------|---|--|
| 1 | 5 | <p>The Managing Director of LEMI believes the business should be delayed immediately. Do you agree?</p> <p>Assess the arguments for and against delaying LEMI immediately and make a judgement.</p> | <p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p> |

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

| Level | Marks | Descriptor |
|-------|---------|--|
| 4 | 10 – 12 | <p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p> |
| 3 | 7 – 9 | <p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p> |

| | | |
|---|-------|---|
| 2 | 4 – 6 | <p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p> |
| 1 | 1 – 3 | <p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding.</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely. |
| | 0 | <p>No credit worthy material.</p> |

The demands of the question are:

- analyse the case for and against
- in the given context
- of delayering LEMI
- and to make a judgement.

Indicative content

Possible arguments for:

- Delayering is removing layers from the hierarchy.
- A crisis of red-tape may involve too many systems and procedures getting in the way of competitiveness. Delayering will create a flatter structure that should enable quicker communication. This will enable faster decision-making; therefore, new products can be introduced quicker and the business can continue to charge price skimming, increasing revenue and profits.
- Delayering will lead to greater collaboration (Greiner's) between managers of the different parts of LEMI. This may include greater control of their part of LEMI enabling them to respond to customer needs more effectively, rather than relying on head office.
- Delayering will involve the removal of layers of managers. Currently the business has 6 layers. The removal will reduce the cost of the workforce, which has increased from 18 to 25% of turnover leading to LEMI earning greater profits.

Possible arguments against:

- Delayering will mean that some managers will come down a layer of the hierarchy. Less responsibility may mean low motivation due to Herzberg, responsibility, and Maslow, esteem. It is likely that these managers will get also paid less, which will also lead to a loss of motivation according to Taylor. A lack of motivation may lead to lower productivity, which will reduce profits.
- The delayering may lead to redundancies causing poor morale among the remaining staff. This could lead to more employees leaving and requiring even more recruitment for LEMI to continue to grow. Less experienced staff will lead to poor customer service causing a loss of revenue and, therefore, profits, leading to less finance available for growth.
- The tall hierarchy has developed during the co-ordinate phase of Greiner's model. Delayering may lead to employees not knowing who has the authority to make decisions on the introduction of new products and processes. This will slow down decision making and opportunities for growth may be missed.

It depends upon:

- On average, in 2018 there were 250 employees per layer compared to 417 in 2021. Reducing the number of layers will increase the span of control and make it difficult for supervisors to effectively manage their staff.
- The hierarchy has grown in the 'co-ordinate' stage of Greiner's growth model. The addition of layers would have happened for a reason as the retail chain grew from 10 to 30 units, what was that reason and is it still valid.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Section B

Total for this section: 40 marks

| Question | Part | Marking guidance | Total marks |
|----------|------|---|-----------------------------|
| 2 | 1 | <p>Using Table 2, calculate Zauger's operating profit margin for the year ending 31/12/2021.</p> <p>If candidate has 2.5% or 2.5 (3 marks)</p> <p>Operating Profit = Revenue - Cost of Sales – Expenses or Operating Profit = 1200 – 1100–70 (1)</p> <p>Operating Profit Margin = Operating Profit/Revenue x 100 or Operating Profit = (30/1200) x100 (1)</p> <p>Further guidance: use own figure rule (OFR)</p> | 3 AO1 = 1 AO2 = 2 |

| Question | Part | Marking guidance | Total marks |
|----------|------|---|--|
| 2 | 2 | <p>Using the Ansoff Matrix, analyse the level of risk to Zauger if it launches a smart watch.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • The launch of a new smart watch would be an example of product development as a new product in an existing market. • Product development is a medium risk strategy according to Ansoff's Matrix. • This is due to the business not fully understanding the smart watch product as it has no experience of manufacturing or selling it. However, the business is selling to the same market that has previously bought its laptops. <p>Good response 4–3 marks Candidate shows good understanding of Ansoff's matrix and risk that is applied to the launch of a new smart watch.</p> <p>Reasonable response 2 marks Candidate shows understanding of Ansoff's matrix but is unable to analyse its implications for risk.</p> <p>Limited response 1 mark Some understanding of Ansoff's matrix.</p> | 4 AO1 = 1 AO2 = 1 AO3 = 2 |

| Question | Part | Marking guidance | Total marks |
|----------|------|---|------------------------------------|
| 2 | 3 | Analyse why Zauger has low profitability. | 9 AO1 = 2 AO2 = 1 AO3 = 6 |

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

| Level | Marks | Descriptor |
|-------|-------|---|
| 3 | 7 – 9 | <p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured. |
| 2 | 4 – 6 | <p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. |
| 1 | 1 – 3 | <p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely. |
| | 0 | No credit worthy material. |

The demands of the question are:

- analyse the reasons
- in the given context
- for Zauger's low profitability.

Indicative content

- Zauger's laptops are not differentiated, as they contain similar parts to competitors, therefore Zauger must compete with its competitors primarily on price. This means that Zauger must charge a low price, resulting in low profit margins.
- Zauger does not have a strong brand. If Zauger attempts to raise profits by increasing its selling price then customers will simply go to competitors.
- As there are only two main processor and one main operating software suppliers it means they have a great deal of power. This means that they can charge Zauger high prices, which Zauger is unable to pass on to customers due to its inability to differentiate the product, thereby reducing profitability.

Accept any other valid content.

| Question | Part | Marking guidance | Total marks |
|----------|------|---|--|
| 2 | 4 | Using only Hofstede's features of national cultures, assess whether Zauger should open a new factory in Thailand or the Philippines and make a judgement. | 12 AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6 |

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

| Level | Marks | Descriptor |
|-------|---------|--|
| 4 | 10 – 12 | <p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p> |
| 3 | 7 – 9 | <p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p> |

| | | |
|---|-------|---|
| 2 | 4 – 6 | <p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p> |
| 1 | 1 – 3 | <p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding.</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely. |
| | 0 | <p>No credit worthy material.</p> |

The demands of the question are:

- demonstrate understanding of Hofstede's features of national culture
- to develop arguments for and against
- locating a new factory in Thailand or the Philippines
- in the given context
- and to make a judgment.

Indicative content

- Zauger intends to manage the factory from India. The Philippines has a higher power distance score than Thailand. This will mean that employees in the Philippines are more willing to accept power being centralised in India.
- Zauger operates with very few rules and encourages risk taking. The Philippines has lower score for uncertainty avoidance than Thailand. Therefore, the culture of the Philippines is closer to that of Zauger, meaning that there will be fewer culture clashes when managing from India.
- Zauger rewards employees for their team rather than individual performance. Thailand has a lower IDV score, therefore, more collectivism. The matching culture will make it easier for Zauger to use the same rewards that it currently uses in India.

It depends upon:

- Philippines appears to be the preferred option as it has a more appropriate Power Distance (PDI) and Uncertainty Avoidance (UAI), whereas only the Individualism vs Collectivism (IDV) indicates Thailand.
- Whether Zauger believes that all features of the Hofstede's have equal value in avoiding culture clashes, whereas if the business believes that individualism vs collectivism is the most important then Thailand may be the preferred option.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

| Question | Part | Marking guidance | Total marks |
|----------|------|---|--|
| 2 | 5 | <p>Zauger's Managing Director wants to increase shareholder value.</p> <p>Should Zauger launch a smart watch to increase shareholder value?</p> <p>Assess the arguments for and against and make a judgement.</p> | <p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p> |

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

| Level | Marks | Descriptor |
|-------|---------|--|
| 4 | 10 – 12 | <p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p> |
| 3 | 7 – 9 | <p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p> |

| | | |
|---|-------|---|
| 2 | 4 – 6 | <p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p> |
| 1 | 1 – 3 | <p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding.</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely. |
| | 0 | <p>No credit worthy material.</p> |

The demands of the question to:

- to develop arguments for and against
- launching a smart watch
- in the given context
- and to make a judgement.

Indicative content

Possible arguments for:

- The next stage of the product life cycle for laptops is decline, where Zauger may have to use cost plus pricing to ensure a small profit is made. Eventually Zauger will be unable to make even a small profit and will have to withdraw its products from the market. This will lead to a fall in the share price. To ensure it maintains the share price Zauger will need to be able to sell other products.
- Smart watches are in the growth phase of the product life cycle, therefore, as the market grows there may be space for new entries in the market. This may allow Zauger to increase sales and therefore profits, which will positively influence the share price.
- If Zauger concentrates on a market segment or niche then it may be able to turn its smart watch from a 'problem child' into a 'star', which will eventually become a cash cow for Zauger. As a cash cow cash flows will become positive increasing share price.

Possible arguments against:

- Smart watches are in the growth phase of the product life cycle. The growth phase may initially be cash flow negative as significant expenditure is required on promotion, which will reduce our share price.
- The brands already in the smart watch market are strong. As stated by the Marketing Director, Zauger would have to use penetration pricing or invest heavily in promotion to enter the market. Both may cause the new smart watch to be loss making. The loss will reduce the share price and, therefore, shareholder value.
- The Operations Director suggests that Zauger should look at other products, particularly 'stars'. The amount of time that laptops will spend in the maturity stage is unknown, therefore, there may be products that present greater opportunities for Zauger. Therefore, it should not rush into launch a product that may not be profitable.

It depends upon:

- What are the chances of the smart watch becoming a star? It seems unlikely that they will be able to have a high market share when businesses such as Apple and Samsung are already there.
- How long laptops to remain in the maturity phase? Are there any emerging products that could make laptops become obsolete?

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Assessment Objective Grid

| | AO1 | AO2 | AO3 | AO4 | Total |
|-------------------|------------|------------|------------|------------|--------------|
| Section A | | | | | |
| 1.1 | 1 | 2 | | | 3 |
| 1.2 | 1 | 1 | 2 | | 4 |
| 1.3 | 2 | 1 | 6 | | 9 |
| 1.4 | 2 | 2 | 2 | 6 | 12 |
| 1.5 | 2 | 2 | 2 | 6 | 12 |
| | | | | | |
| 2.1 | 1 | 2 | | | 3 |
| 2.2 | 1 | 1 | 2 | | 4 |
| 2.3 | 2 | 1 | 6 | | 9 |
| 2.4 | 2 | 2 | 2 | 6 | 12 |
| 2.5 | 2 | 2 | 2 | 6 | 12 |
| Unit Total | 16 | 16 | 24 | 24 | 80 |