

# Markscheme

**May 2023**

**Business management**

**Standard level**

**Paper 1**

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

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			
1–2			<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories.</li> <li>• Little use of business management terminology.</li> <li>• Little reference to the stimulus material.</li> </ul>
3–4			<ul style="list-style-type: none"> <li>• A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories.</li> <li>• Some use of appropriate terminology.</li> <li>• Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization.</li> <li>• At the lower end of the markband, responses are mainly theoretical.</li> </ul>
5–6			<ul style="list-style-type: none"> <li>• An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories.</li> <li>• Use of appropriate terminology throughout the response.</li> <li>• Effective use of the stimulus material.</li> </ul>

Section B Q4 (d)	Level descriptor
Marks	
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 theory 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>

## Section A

1. (a) Outline **two** disadvantages for SVT's employees of the new flexible-working contract (lines 60–62). **[4]**

Disadvantages include:

- The **employees** would have to **accept change** following many years of operating in an unchanged way.
- The **older employees**, who are mostly rejecting the change, are very **used to working from 8am to 5pm** (line 53).
- The **shift pattern is happening alongside other modernization programmes**. The employees may be objecting to the whole package.
- SVT **lost a significant number of experienced employees** because of this change (25% left (line 63)). Newer staff lost the chance to work with experienced colleagues.
- The employees would have to **change the hours they worked every six months** (line 62). They may not like this pattern.

*Accept any other relevant disadvantage*

**Mark as 2 + 2.**

*Award [1] for each appropriate disadvantage identified and an additional [1] for a description of how it impacts on the employees of SVT.*

*Award a maximum of [2] for each disadvantage.*

*Award a maximum of [4] in total.*

- (b) Explain the factors that SVT should consider when deciding on a pricing strategy for the WF15 water purifier (lines 126–131). **[6]**

Factors include:

- Likely market demand—**Demand could be very high** given the ease of using the product in different situations (a few hours of sunlight) (line 124).
- Production and other costs—the WF15 had to **meet strict criteria in terms of cost** suggesting it is relatively inexpensive.
- SVT's objectives—should it be a **not-for-profit product?** (lines 127–128).
- Directors—some feel that the product should be **subsidized to make it affordable**. Not all directors feel this though (lines 128–129).
- Other stakeholders such as **shareholders may wish to maximize profits**.
- **Competitors prices**—SVT may wish to examine the price charged by competitors to establish a benchmark price for themselves.

*Accept any other relevant factor and explanation.*

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

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

*Award a maximum of [4] for limiting the explanation to only one factor.*

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

*Award a maximum of [6] for a developed answer in context*

2. (a) Outline **one** advantage **and one** disadvantage for SVT of Ariadne’s leadership style (lines 21–26). **[4]**

Ariadne displays an autocratic leadership style.

Advantages:

- This may have led to **higher productivity per employee** (lines 23–24).
- **Ariadne** is the **sole decision-maker** meaning that decisions are made **quickly to respond** to quickly unexpected changes. This fits in with the directors having operational and tactical authority (line 15).

Disadvantages:

- Ariadne often has **different priorities**, and this has **led to conflict with Yannick** (lines 25–26).
- Ariadne can be **inflexible**.
- Ariadne can **make poor decisions** leading to weaker performance for SVT.

**Mark as 2 + 2.**

*Award [1] for each appropriate advantage/disadvantage identified and an additional [1] for a description of how it impacts on SVT.*

*Award a maximum of [2] per advantage/disadvantage.*

*Award a maximum of [4] in total.*

- (b) Explain different distribution channels that SVT could use for the WF15 water purifier (lines 132–133). **[6]**

Distribution channels include:

- SVT could make use of **agents in different countries**. They have no experience of operating in LEDCs and may benefit from using **experts in distribution in those countries** (lines 132–133).
- The lack of use of traditional promotion approaches may have an impact on how the product is distributed. SVT may need very direct approaches to communicate effectively with the potential customer.
- SVT could try a traditional approach to selling the WF15 by using **wholesalers and retailers**. Much will depend on exactly where the product will be sold.
- SVT could sell them through **charities and/or NGO**, and/or those employees who are taking part in the Outreach Programme.
- SVT could sell using aspects of e-commerce/online selling making use of social media.

*Accept any other relevant distribution channel and explanation.*

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

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

*Award a maximum of [4] for limiting the explanation to only one distribution channel.*

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

*Award a maximum of [6] for a developed answer in context.*

3. (a) Outline **two** non-financial rewards that *SVT* could have used for the long-serving employees that wanted to leave the company because of the implementation of the flexible-working contract (lines 56–64). **[4]**

Non-financial rewards include:

- Job enrichment
- Job rotation
- Job enlargement
- Empowerment
- Teamwork
- Purpose/the opportunity to make a difference

*Accept any reasonable answer.*

In the case of *SVT*, they offered a one-time incentive payment to those who agreed to the new contract—a financial reward.

The non-financial rewards listed above could have been considered as alternative approaches, e.g., greater consultation around additional responsibilities / changes to job roles / enhanced use of group or team working etc.

**Mark as 2 + 2.**

*Award [1] for each appropriate non-financial reward identified and an additional [1] for a description of how it impacts on SVT.*

*Award a maximum of [2] per reward.*

*Award a maximum of [4] in total.*

- (b) With reference to STEEPLE factors, explain changes in the external environment that may have affected SVT (lines 20–21).

[6]

External environment can relate to aspects of Social; Economic; Technical; Political; Environmental; Legal; and Ethical factors (STEEPLE)

- Social—**potable water is now seen as a need**, especially in LEDCs; **short supply of high skilled** and specialized **employees** in the UK (lines 68–69).
- Economic—**recession**; consumer confidence; interest rates etc., all impact on SVT. **Demand for wind turbines** is expected to **grow** (line 80); **market for desalination** is **growing rapidly** (line 39).
- Technical—**innovations in engineering** require SVT to **seek out new methods of production** and to enhance product development.
- Political—**political instability** has led to many issues in poorer countries increasing the demand for SVT's products.
- Environmental—**climate change** has led to **greater need for demand of potable water** in many countries around the world.
- Legal—**safety regulations** may have forced SVT to develop more effective and safer products.
- Ethical—Stakeholders have a strong **CSR approach** leading to the development of the Outreach Programme.

**N.B.** Only one answer can be accepted in each of the STEEPLE categories e.g only one economic factor can count.

Accept any other relevant external environment factor and explanation.  
Marks should be allocated according to the markbands on page 3.

Award a maximum of [3] for a theoretical answer

Award a maximum of [4] for limiting the explanation to only one external factor.

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

Award a maximum of [6] for a developed answer in context.



### Section B

4. (a) Define the term *quota sampling*. [2]

**Quota sampling:** gathers data from a group or sub-group with a specified number (target) of participants (respondents) in each group or sub-group. Groups/sub-groups will have specific traits/characteristics.

Quota sampling involves **segmenting** a given **population** into a number of **groups** that share certain **characteristics** (mutually exclusive sub-groups) such as age and gender. Targets are then set for the number of people who must be selected in each segment.

One starts by dividing the population into mutually exclusive groups or sub-groups (called strata) and sample units are selected, until the quotas (targets) are reached.

**N.B.** no application required.

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

Award [1] for a basic definition that conveys partial knowledge and understanding.  
Award [2] for a full definition that conveys knowledge and understanding similar to the answer above.

- (b) (i) Calculate SVT's home water filter market share in 2022 (*show all your working*). [2]

World market in 2022 = \$14bn

SVT's total revenue = \$4.9 bn

**SVT's market share** = (SVT's total revenue / World market in 2022) x 100 = (\$4.9 bn/14bn) x 100 = **35%**

Award [2] for working and a correct answer which must include the percentage sign (%) either in the final answer, or in the working.

Award [1] for some correct working but with an arithmetic error.

Do not reward formula only.

- (ii) Calculate the number of home water filters SVT sold in 2022 to the rest of the world (excluding Europe and the USA) (*show all your working*). [2]

SVT's sales are \$4.9bn

SVT's sales to Europe and the USA = 90% of SVT's total sales

SVT's sales to the rest of world = \$0.49bn (10% of total sales)

Average revenue earned per water filter = \$20

So, \$0.49bn/\$20 = **24.5m water filters**

Alternative answer:

\$490 000 000 / \$20 = **24 500 000 water filters**

Award [2] for working and a correct answer with the correct unit ("water filters" or "units" or "pieces" or "products") either in the final answer, or in the working.

Award [1] for some correct working (especially the 10% of total sales for "rest of the world") but with an arithmetic error.

- (c) Explain **two** factors that SVT would have needed to consider when deciding where to open the new factory in Asia.

**[4]**

Possible factors include:

- how do **rents** and cost of land compare between existing factories and Asia?
- how do **energy costs** compare (again high in US/Europe);
- what **management issues** are there, possibly with different cultures?;
- what would happen to **existing employees**?;
- main markets are outside Asia (90% of sales are in Europe and USA), so possible **logistical issues** (infrastructure, transport): **distance from suppliers and customers** so is this a sustainable model?;
- **availability** of sufficient **skilled labour** in Asia?;
- **legal** (law, tax) issues especially about pollution and the environment;
- support (or not) from the **government** (and the community) of the country where the new factory is located.

*Accept any other relevant factor.*

*Candidates may use different parts of the course to answer this question, for example with external factors from a STEEPLE analysis, or considering the “business functions” (finance: costs; human resources: available workforce; operations: logistics etc.). All these approaches are fine. The question is about “opening a new factory in Asia”, not about selling and commercializing in Asia, so factors such as local demand, local competition and advertising are not relevant.*

**Mark as [2] + [2].**

*Award [1] for each relevant factor in context and an additional of [1] for an explanation linking that factor to SVT. Maximum 2 factors.*

- (d) Discuss whether SVT should have increased the price of its home water filters. **[10]**

Possible arguments **in favour**:

- enabled them to **launch advertising campaign** which would potentially benefit millions;
- enabled some **filters** to be **provided free to charities** in LEDCs;
- **fits** in with SVT's **CSR ideas**;
- good for SVT's **reputation**;
- **80% of SVT's customers** in Europe and the USA have above-average incomes and **can afford the price increase** from \$20 to \$21.

Possible arguments **against**:

- many customers may **not be able to afford the increased price**;
- **sales might fall**;
- say lead to **lower profits**;
- **some directors disagree**.

*Accept any other relevant arguments.*

*Marks should be allocated according to the markbands on page 6 with further guidance below.*

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

*Discussion of only one option marks limited to **[5]**.*

*Discussion but no clear balance **[6]**.*

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

*For **[10]** the answer needs to be clearly relevant to SVT with good use of context and a clear sense of whether or not SVT should have increased its prices.*

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