

# Markscheme

**November 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** reasons why *BRD* may have chosen external growth rather than internal growth for its expansion (lines 27–28). **[4]**

Reasons for not choosing internal growth are equally as valid as reasons for external growth.

- Convenient way to have **influence over the supply chain**. E.g. Enam Ltd. **BRD wouldn't have the knowledge, expertise** or facilities to easily develop their own paint facilities;
- **extend** their own **product range** into similar products. E.g. Matchfix PLC. Saves BRD the costs of their own Research and Development, buys ready-made production facilities;
- other reasons could include **costs, convenience, speed of growth, synergy** but there is little context for any of these;
- expertise, knowledge of markets, trained/specialized employees at Enam Ltd. or Matchfix PLC. Both companies have "sales across the world".

*Accept any other relevant reason.*

**N.B.** allow reasons that discuss competition. I.e. eliminating competition by taking over Matchfix PLC as a method of external growth. Matchfix PLC and BDR are in the same industry.

Mark as **2+2**.

Award **[1]** for each appropriate reason identified and an additional **[1]** for a description of how each reason relates to *BRD*. Award a maximum of **[2]** for each reason. Award a maximum of **[4]** in total.

**N.B.** do not accept answers that outline sources of finance as external growth. I.e: "the sale of shares", "conversion to a public limited company". This does not answer the question.

- (b) Explain how Arnold’s relationship with *BRD*’s employees may have affected productivity at *BRD* (lines 58–72). **[6]**

There is a great deal of context here to link Arnold with factors affecting morale and motivation. The key is how these factors might relate to productivity.

**Positive factors:**

- **Personal relationship** he has **with his workers**, remembering birthdays, knowing their family situations, giving a card and small gift on an employee’s birthday, etc.. While these may not have a direct effect on productivity they do seem to have led, through a **sense of belonging** and having a caring employer to a **high level of loyalty, low turnover** and **low absenteeism** which could all have a **positive effect on productivity**. Arnold has a positive leadership style, given his keenness to listen to his staff. This positive relationship may improve productivity.

**Mixed/Negative factors:**

- **Out of date contracts of employment**, conditions of service. Could demotivate but there’s no evidence. In addition, this factor contrasts with the design team who have perks, health care etc. It could motivate the design teams but demotivate the factory workers. Would this increase motivation for the design team (probably not as self-actualisation might be appropriate to them) more likely to demotivate the factory workers (hygiene factors) and possible loss of productivity? but again, there is no evidence.
- **Team meetings**, could be **time-consuming**, lost time could, possibly, be lost productivity.
- **Difference in treatment** could improve productivity of design teams but reduce productivity of production teams. Possible conflicts between departments.
- His style clearly works, employees have never taken **industrial strike action**, which is **positive impact on productivity**.

*Accept any other relevant affect/impact/explanation.*

**N.B.** candidates can solely look at positive **or** negative factors. Balance is not expected for “explain”.

*Candidates can assume that Arnold’s leadership style is paternalistic, but the answer must be about “How Arnold’s relationship with BRD’s employees may have affected productivity”.*

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

*Award a maximum of [3] for a theoretical answer or for limiting answer to only one factor.*

*Award a maximum of [3] if there is no explicit reference to productivity in the answer.*

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

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

2. (a) Outline **two** ways in which *BRD* could change its marketing mix when it switches to making model trains with plastic rather than metal in 2024 (lines 108–110). **[4]**

- **Product:** will have to reassure potential customers that the **products still look realistic**. May need to address issues related to **durability and quality**. Could outline the product being lighter and maybe more energy efficient in terms of electricity. Customers may have concerns that plastics are not recyclable whereas metals are;
- **Price:** product is now more like competitors', so BRD is **unlikely** to be able to **charge premium price** as in the past;
- **Promotion:** BRD is now in a much **more competitive market**. It may have to **increase promotion**, rely less on loyalty, word of mouth;
- **People:** expertise, training or other considerations applied to the switch;
- **Process:** sustainable practices;
- **Physical evidence?** Not much context.

*Accept any other relevant way including the 7Ps - this is not expected as it is HL content.*

**N.B.** *the two ways do not need to relate to two different Ps. Answers MUST have explicit reference to the P's of the marketing mix.*

**Mark as 2+2.**

*Award [1] for an appropriate marketing mix P and [1] for a description of how that marketing mix P relates to BRD. Award a maximum of [4] in total.*

(b) Explain the likely impact on *BRD* of changing from batch production to cellular manufacturing (lines 41–56).

[6]

Changing a production method would have implications for all the business functions:

- some **employees** may have to be **redeployed, retrained** or even **let go**;
- requires **careful planning** (refining roles and responsibilities);
- may lead to **differing response times**;
- **changes in costs** of production **could change price**;
- could have an **impact on stock control** (affects costs).

**Issues related to the two methods:**

**Batch production:**

- having **different types of trains** lends itself to **batch** production;
- however, **coordination is difficult**;
- **absenteeism** suggests **lack of motivation**. Is batch production boring?;
- **affecting productivity**, which is important. **Despatches** being **postponed**.

**Cellular manufacturing:**

- **loses** two weeks' production, it **won't help productivity** in the short term;
- will **meetings take up productive time**, hence impact on productivity?;
- first step to **automation**: it could be good for productivity but what about employees?;
- separate cells will **empower teams**, it is easier to organize and maybe it will motivate employees;
- possible **resistance to change**?
- should lead to **less wastage** and **lower rejection rates**.

*Accept any other reasonable impact/explanation.*

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

*Award a maximum of [3] for a theoretical answer or for limiting the answer either to batch production or cellular production.*

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

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



3. (a) Outline **two** types of secondary market research that *BRD* could have used to identify the reasons for the decline in sales of model train sets and plastic model kits (lines 114–115). **[4]**
- **Market analysis: competitor** information; but how many train makers are there? Would they cover the same markets?;
  - **Market analysis:** it's a fairly **specialized market** so would **market research reports** be available?;
  - **Market analysis:** BRD's own **sales data** would be helpful. Also, information about their **customers** (needs, wants, age, etc.);
  - **Government publications: statistics** but more likely to be at a **macro level** such as toys, population age, Census data etc.;
  - **Government publications:** may need to look at **separate statistics** from UK, Australia, Canada.

Other sources could include media articles, newspapers, academic journals but there is no context for these.

*Accept any other relevant types.*

**Mark as 2+2.**

*Award [1] for an appropriate type and [1] for outlining the type of secondary market research with application to BRD. Award a maximum of [4] in total.*

- (b) Explain the likely impact on *BRD* of selling additional share capital to solve its liquidity problem (lines 124–141). **[6]**

**Additional shares to existing shareholders.** They might be more interested in shares for expansion rather than reducing a liquidity crisis. Hence poor take up by existing shareholders.

- **Dilution of ownership** – finished up in hands of 4Change;
- greater **possibility of takeover**. What is 4Change's overall objective?;
- because of lack of initial success may have finished up as a **more expensive option** than other sources of finance;
- **will it solve liquidity problem?** Will the funds generated cover the issues with liquidity?;
- **shares sold at a discount** (25%). So \$15m rather than \$12m raised but some **loss of control**. Might have been better with a loan.

*Accept any other relevant impact/explanation.*

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

*Award a maximum of [3] for a theoretical answer or for limiting answer to only one impact.*

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

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

## Section B

4. (a) Define the term *market segment*. [2]

It is the division of consumers into distinct groups who share common characteristics, tastes and requirements.

*Beware of circular definitions which cannot be rewarded.*

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

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

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

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

- (b) Explain **one** advantage **and one** disadvantage for *BRD* of using a cost-plus (mark-up) pricing strategy for its *Matchfix* plastic model kits. [4]

**Cost-plus (mark-up) pricing** refers to adding a mark-up to the average cost of producing a product.

**Advantages** could include:

- Should ensure **costs are covered** (and makes profit) **even** with the **cost** of plastic **increase** of **20%**, with a further increase in 2022 of 25%;
- **simple, easy and quick to administer**;
- prices are increasingly important to consumers. **Cost plus may be cheaper** than market prices in a cost/price rising market.

**Disadvantages:**

- **Costs are increasing**, likely to be behind the trend as the cost of plastic increased by 20%, with a further increase in 2022 of 25%;
- competitive market, **market prices might be more appropriate** as Matchfix kit **sales fell** in 2021 and further in 2022. Possibly due to raising prices as costs increased;
- needs **regular review**, better to respond more quickly to the market.

*Accept any other relevant advantage/disadvantage.*

**Mark as 2+2**

Award [1] for each advantage and additional [1] for an explanation of how it relates to *BRD*.

Award [1] for each disadvantage and additional [1] for an explanation of how it relates to *BRD*.

[2] can not 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].*

*Maximum award overall: [4].*

(c) Calculate:

- (i) the number of paying café visitors needed for the café to make a profit of £200 000 (show all your working); [2]

Let  $x$  = number of paying café users

Contribution per adult is £15 – £10 = £5. So, the total contribution is £5

Profit = contribution – fixed costs

So £200 000 = £5 $x$  - £25 000

£225 000 = £5 $x$

$X = £225\ 000 / £5 = 45\ 000$  paying café users

There are alternative ways of calculating this

£200 000 = (£15 – £10) $x$  - £25 000

£225 000 = £5 $x$

**$X = £225\ 000 / £5 = 45\ 000$  paying café users**

*Award [2] for the correct answer that shows the working and includes the unit.*

*Award [1] for an attempt to apply the formula.*

- (ii) the profit that *BRD* would make in year 3 from operating the café (*show all your working*). **[2]**

BRD has forecasted 55,000 visitors for year 3,

Simpson predicts that 80% of visitors will visit the café

So, 55 000 x 0.8 go to the café = 44 000

Contribution = 44 000 x £5 = £220 000

Fixed costs of £25 000

**Profit** = total contribution – total fixed costs = £220 000 – £25 000 = **£195 000**

**N.B.** allow BOD for the use of the \$ or € sign instead of £.

*Award [2] for the correct answer which shows the working and includes the unit (£).*

*Award [1] for an attempt to apply the formula.*

- (d) Recommend whether *BRD* should choose **Option 1** (the science and imagination centre) or **Option 2** (the railway museum). **[10]**

### Option 1

**Arguments for** could include:

- **Setup £500k** rather than £800k;
- businesses often have **visitor centres**;
- sort of **attraction** liked by parents;
- **higher visitor numbers in long term** (see Table 2);
- unusual if not **unique experience?**

**Arguments against** could include:

- **Higher running costs** especially for trained employees. Higher annual total fixed costs (£360k);
- **recruiting** a problem?;
- **no experience**;
- **lower** estimated growth of **visitor numbers in the beginning**. Is this data reliable?.

### Option 2

**Arguments for** could include:

- **Higher visitor numbers at the beginning**;
- **fewer employees**, lower skills required;
- production of trains is what BRD is about. So, maybe Synergy?.

**Arguments against** could include:

- **Lower visitor numbers in long term**;
- **high capital costs**.

Evaluation of the options may consider their view of what is important to BRD—profit, short-term vs long-term issues; aspects of risk. Candidates may make reference to business tools, such as Ansoff; FFA etc.

*Accept any other relevant argument and evaluation.*

***N.B.*** *Candidates can recommend either. Marks come from the strengths of the arguments.*

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

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

*Discussion of only one 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 a fully supported conclusion/evaluation, clearly relevant to BRD with good use of context.*

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