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BUSINESS **9609/11**

Paper 1 Short Answer/Essay **October/November 2016**

MARK SCHEME

Maximum Mark: 40

Published

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1 (a) Define the term 'mission statement'. [2]

A written statement of the core aims/values/purpose/objectives of a business.

Sound definition (2 marks)
Partial definition (limited understanding) (1 mark)

(b) Briefly explain <u>two</u> limitations of mission statements. [3]

Limitations could include:

- Often written in very general / vague terms in order to appeal to internal and external stakeholders as to have little impact.
- Often long and aspirational – a wish list with little operational value.
- Often seen as a PR exercise – so little motivational impact (other than negative cynicism!).
- If not supported by management has little positive impact
- Seen as being distant from operational reality.

Two limitations soundly explained (3 marks)
One limitation soundly explained or **two** partially explained (2 marks)
One limitation partially explained or a list of **two** (1 mark)

2 (a) Define the term 'redundancy'. [2]

When a job is no longer required in a business and the employee doing that job loses the job through no fault of their own.

Sound definition (2 marks)
Partial definition (limited understanding) (1 mark)

(b) Briefly explain <u>two</u> ways a human resource management department could help employees who are to be made redundant. [3]

Answers may include:

- Re-deployment opportunities identified.
- Produce an appropriate redundancy package.
- Access additional help for employees such as job advice, counselling.
- Training/new skills
- Financial help

Two ways HRM could help soundly explained (3 marks)
One way soundly explained or **two** partially explained (2 marks)
One way partially explained or a list of **two** (1 mark)

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3 Explain why the distinction between market orientation and product orientation could be important for a business operating in a very competitive market. [5]

Answers may include:

- These are two contrasting approaches to marketing.
- **Market orientation** is a market-led approach where the focus is on the customer – market research is used to identify customer needs, perceptions and potential demands – this information is then analysed and used to develop products and services to meet these demands – associated with the 4Cs and CRM.
- **Product orientation** is a product-led approach – a focus on getting the product right – then market it effectively and sell it to the customer – associated with the traditional 4Ps approach to marketing.
- Market orientation is said to be a more effective approach in the digital age where customer relationships and interactions are encouraged.
- **The context of 'a very competitive market'** would suggest that a market orientation would be the marketing approach to adopt in order to survive and thrive.

Effective explanation of the difference and significance/importance of these two approaches in a very competitive market (4–5 marks)
Limited explanation of the two different approaches with possibly limited reference to the context of a very competitive market (2–3 marks)
Understanding of market orientation and/or product orientation (1 mark)

NB If the definition of product and market orientation are the wrong way round but there is subsequent relevant comment relating to a competitive market then 2 marks maximum can be awarded.

4 (a) Define the term 'working capital' [2]

The capital/finance/money required to pay for day to day running costs, eg, raw materials and credit offered to customers
NB. A correct formula i.e. current assets – current liabilities is also worth 2 marks.

Sound definition (2 marks)
Partial definition (limited understanding) (1 mark)

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(b) Briefly explain <u>two</u> reasons why the effective management of working capital is important for all businesses. [3]

Answers could include:

- Without sufficient working capital a business will become illiquid – go into liquidation or seek emergency high cost funding.
- Too much working capital is detrimental – the opportunity cost of capital tied up in inventories, accounts receivable and idle cash may be high – more productive uses elsewhere.
- So effective management is required to see that cash flows are sufficient to deal with anticipated working capital problems – take measures to remedy situations, e.g. shorten credit periods for customers.

Sound explanation of **two** reasons for effective management of working capital (3 marks)
Sound explanation of **one** reason or partial explanation of **two** (2 marks)
Partial explanation of **one** reason or a list of **two** (1 mark)

5 (a) Analyse the benefits and limitations of a labour intensive production process for a business. [8]

Level	Description	Marks
4	Good analysis of the benefits and limitations of a labour intensive production process for a business	7–8
3	Some analysis of the benefits and limitations of a labour intensive production process for a business	5–6
2	Some application of the benefits and/or limitations of a labour intensive production process for a business	3–4
1	Understanding of a labour intensive process	1–2
0	No creditable content	0

Answers may include:

- Operations managers must decide on the combination of factors of production – one option is to use a high level of labour relative to capital equipment.
- Obviously more appropriate and necessary for some businesses – the nature of the business (say hotels and restaurants).
- More labour may afford opportunity to give a more personal service – or a more unique product (hand crafted furniture).
- In certain situations, it is less expensive to use labour than expensive machines – or where machines are not appropriate – capital investment not required or not available.
- Less fixed cost, particularly in recession times – more flexible – can 'lay off' staff.
- However, there may be limitations in using a labour intensive production process
- Opportunities for expansion – economies of scale may be limited.
- Craft/specialised labour may also die away/be in short supply.
- Labour-intensive production may become uncompetitive.
- Labour costs initially low may become too high.
- More likely to get government grants due to increasing/creating employment.

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(b) Discuss the importance of 'intellectual capital' for a University [12]

Level	Description	Marks
4	Effective evaluation of the importance of intellectual capital to a University	9–12
3	Limited evaluation of the importance of intellectual capital to a University	7–8
2	Analysis of intellectual capital and some application to a business context	3–6
1	Understanding of intellectual capital	1–2
0	No creditable content	0

Answers may include:

- Intellectual capital defined – the knowledge, experience, enterprise, customer relationships, and organisational technology of a business – regarded as an important intangible asset.
- Valuable potentially for all businesses – could give a competitive advantage, a USP – the difference between the book value of a company and its market value.
- In an increasingly knowledge-based word – intellectual capital is regarded as a very important asset.
- Universities – the main purpose/business is education, learning and the production of knowledge.
- The importance for a University is the opportunity for knowledge transfer – new ideas, new solutions can become commercial opportunities and commercial businesses can be developed in a University setting.
- The distinctive approach to teaching methods, course provision, research activity and results can develop out of the rich intellectual capital of the organisation and lead to a distinctive reputation/brand.
- It strengthens the brand.
- It attracts the best students/staff.
- It can attract government grants for research.

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6 'Herzberg's theory of motivation can ensure success for all private sector businesses.' Discuss this statement. [20]

Level	Description	Marks
5	Effective evaluation of the statement of the potential impact of Herzberg's two factor theory of motivation on the success of private sector businesses	17–20
4	Good analysis and limited evaluation of the statement of the potential impact of Herzberg's two factor theory of motivation on the success of private sector businesses	13–16
3	Analysis of the potential impact of Herzberg's two factor theory of motivation on the success of private sector businesses	11–12
2	Limited analysis with application of the two factor theory to business situations	5–10
1	Understanding of motivational theory and/or Herzberg	1–4
0	No creditable content	0

Answers may include:

- Describe the main features of Herzberg's theory – focus on **'hygiene'** issues **extrinsic factors**– pay, conditions – these may remove dissatisfaction but will **not** lead to performance enhancement –there needs to be a focus on a second set of factors – **'motivators'** -the **intrinsic** factors such as – recognition, meaningful work, achievement.
- The two factor theory is a diagnostic framework that focuses on a range of different dis-satisfiers and motivators .It is very popular and there is lots of research evidence to support the theory and impact.
- The theory encourages teamwork and collective actions and is more sophisticated than say the Taylor approach.
- However not all are convinced – like all theories/fads/fashions it needs to be effectively implemented.
- It can be argued that the statement is far too simplistic – other factors are important for business success such as the quality of management and leadership and the nature of market environments.
- Does job satisfaction always mean performance?
- Some say the Vroom expectancy theory of motivation is more realistic and that a blend of motivational theorists is required for business success (eg Taylor and Herzberg and Vroom, Mayo and Maslow.)
- Perceptive answers will address the reference to **private sector** businesses in the question and query why the theory might/might not be applicable to all/other business situations.

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7 (a) Analyse the benefits to a business of product portfolio analysis. [8]

Level	Description	Marks
4	Good analysis of the benefits of product portfolio analysis	7–8
3	Some analysis of the benefits of product portfolio analysis	5–6
2	Some application of product portfolio analysis in a business context (this could be related to product life cycle)	3–4
1	Understanding of product portfolio analysis/product life cycle	1–2
0	No creditable content	0

Answers may include:

- Product portfolio analysis is the analysis of the elements of a company's product/service mix in order to determine the optimum allocation of resources.
- It is a tool for a more informed marketing/corporate strategy.
- It involves the examination of products/services with low margins and/or volatility and the removal of them from the portfolio – remove risk to the business.
- In the context of the product life cycle concept/model, you examine where each product/service is positioned.
- An important tool to aid decision-making – helps to steer resources towards the most productive areas.
- Reveals the strengths and weaknesses of the product/service mix.
- Some may refer to Boston matrix (but not required).

NB Some candidates may adopt an approach in which they refer to ‘one product’ out of a product portfolio and then identify benefits to a business of analysing that product in the market.
This is an acceptable approach.

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(b) Discuss the importance of branding in the promotion of a soft drinks product [12]

Level	Description	Marks
4	Effective evaluation of the importance of branding for the promotion of a soft drinks product	9–12
3	Limited evaluation of the importance of branding for the promotion of a soft drinks product	7–8
2	Analysis and some application of branding for the promotion of a soft drinks product	3–6
1	Understanding of branding	1–2
0	No creditable content	0

Answers may include:

- Branding is concerned with establishing an identifiable product image that supports regular and loyal customer buying behaviour – creates expectations.
- Branding promotes visibility, reduces price elasticity, and establishes a strong connection between customer and product.
- Produces a competitive advantage.
- Soft drinks are a very competitive industry, so arguably branding is very important, especially when soft drinks products are marketed.
- More effective marketing results, it is argued, with a strong brand.
- However is price-led marketing breaking down the power and importance of brands and branding?
- Can discount retailers in fact secure product loyalty with consistent low prices-is low price marketing the main ‘game in town’ in some market sectors?
- Are some discount retailers creating a generic low price retail brand? (Aldi/Lidl in the UK)

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