



General Certificate of Education

Business Studies 6131

BU5W People and Operations Management

Mark Scheme

2005 examination – June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' 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.

General Marking Guidance

You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 18 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates at the end of a full A Level course.

Positive Marking

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.

Mark Range

*You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.*

The use of Levels of Response

Levels of response marking has holistic aspects, yet must conform to the rule of positive marking. A candidate who has built a strong argument must have that achievement recognised fully, even if a subsequent paragraph of ambiguity reduces the power of the whole. For this to occur consistently requires careful annotation of the level of response achieved within each skill category, at each significant stage within an answer.

Fundamental to a Levels of Response approach is that there maybe more than one right answer to a written question. Examiners must use their professional judgement to credit any reasonable answer, whether or not it is listed on the mark scheme.

Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept that would receive credit for knowledge in one context could become a means of analysis in another. It is also possible that a candidate's line of argument could validate knowledge that would not have been recognised if the candidate had simply tabled it. For example, acid test is not listed within the specification as a test of financial efficiency, yet a candidate could build an argument that made it relevant. Then knowledge could be rewarded as well as analysis.

Despite the value of skills such as analysis and evaluation, all answers must be based upon relevant knowledge and understanding. Therefore, it is not possible to credit application, analysis or evaluation unless recognisable knowledge has been rewarded.

Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

- LEVEL 4 Complex ideas are expressed clearly and fluently. Sentences and paragraphs follow on from one another smoothly and logically. Arguments are consistently relevant and well structured. There are few, if any, errors of grammar, punctuation and spelling. **4 marks**
- LEVEL 3 Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling. **3 marks**
- LEVEL 2 Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas **2 marks**
- LEVEL 1 Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas. **1 mark**

Total 4 marks

1

Total for this question: 40 marks

As a management consultant, write a report to the senior managers of Regal Britain Ltd, analysing the main strengths and weaknesses of the firm’s position. Based on this analysis recommend a strategy the managers should adopt to make the theme park one of the top five in the newspaper’s league table by 2010. (2 marks are available for appropriate report format.) (40 marks)

Knowledge and understanding (Assessment Objective 1)

Max 8 marks

- | | | |
|---------|--|--------------------|
| LEVEL 3 | Good explanation/understanding of relevant material, e.g. range and/or depth | 8 - 6 marks |
| LEVEL 2 | Explanation/understanding of relevant material | 5 - 3 marks |
| LEVEL 1 | Identifies relevant material | 2 - 1 marks |

Application of Knowledge (Assessment Objective 2)

Max 8 marks

- | | | |
|---------|--|--------------------|
| LEVEL 3 | Good application to context, e.g. range and/or depth | 8 - 6 marks |
| LEVEL 2 | Application to context | 5 - 3 marks |
| LEVEL 1 | Limited application to context | 2 - 1 marks |

Analysis of Evidence (Assessment Objective 3)

Max 8 marks

- | | | |
|---------|---|--------------------|
| LEVEL 3 | Good analysis of the data, e.g. demonstrating insight and depth | 8 - 6 marks |
| LEVEL 2 | Analysis of the data | 5 - 3 marks |
| LEVEL 1 | Limited analysis of the data | 2 - 1 marks |

Synthesis (Assessment Objective 4)

Max 5 marks

- | | | |
|---------|--|--------------------|
| LEVEL 2 | The report's structure is well thought through, making it easy to follow the logic | 5 - 3 marks |
| LEVEL 1 | The report has some structure and/or appropriate format | 2 - 1 marks |

Evaluation (Assessment Objective 5)

Max 11 marks

- | | | |
|---------|---|---------------------|
| LEVEL 4 | Recommendations which are well supported, demonstrating insight and/or overview, e.g. key themes/issues | 11 - 9 marks |
| LEVEL 3 | Judgement/recommendations which are well supported | 8 - 6 marks |
| LEVEL 2 | Judgement/recommendations which are partially supported | 5 - 3 marks |
| LEVEL 1 | An attempt at making judgement/conclusions, but based on hearsay or assertion | 2 - 1 marks |

Answers might include:**Strengths:**

- Family business; those involved in management might be loyal to the business (Sophie, Martin and Harry have not worked anywhere else) and should be experienced in the industry; the family bonds may well mean a high level of commitment, e.g. willing to work long hours.
- It is a private limited company - the owners may be more able/willing to look long term because there is not the same pressure from external investors for quick returns.
- Entrance fees are 5% lower than the industry average; this may help attract visitors if the market is price elastic (but other aspects of the marketing mix such as the nature of the attractions are likely to be very important); clearly the low price in itself is not enough as the number of visitors has fallen compared to year before.
- Low borrowing relative to capital employed - so likely to have access to more external funds if required.
- Real income growing in UK which may mean that households have more funds available for entertainments (likely to be income elastic); this may help improve the number of visitors (but need to consider that half the visitors are from abroad so what matters here is also overseas real income).
- Exchange rate is set to fall (but can we trust the figures - how reliable are they? What is the track record of this “local” consultancy?); against which currency is it falling and where are visitors from?
- The catering and the gift shop business units appear to have grown quickly since Jack joined, so is Jack a strength and are these areas to develop? Perhaps Jack’s skills could be used elsewhere.
- The family needed convincing, but did let in an external consultant, so they cannot be totally blind to the need for change.

Weaknesses:

- May be over reliant on family members - are there enough outside ideas here? Seems a great lack of outside experience at senior level, except Jack.
- Workload for Sophie seems high; can she devote enough time to these areas? If not, what is the consequence for the business?
- No evidence of HRM responsibilities - who looks after these issues? This could be extremely important given the high level of labour turnover and the need for good customer service.
- Labour turnover is very high - this obviously involves high costs in terms of training and recruitment; on the other hand, this level of labour turnover may not be unusual in this type of business - lots of part time, temporary and seasonal workers.
- Reported accidents of three per week seems high (but what are competitor figures?); no sense of scale (what is an “accident”?), but potentially life threatening, e.g. if there is an accident on a ride. Is this number of accidents related to the high labour turnover, making training difficult, or the apparent lack of an HRM department? May be vulnerable to legal action.
- The span of control is high, which may mean individuals not getting the attention and support they need - affecting accidents and labour turnover.
- Seasonal business, open March to October, with all the consequent problems this brings, e.g. workforce planning, cash flow.
- What seems to be a relatively low proportion of the attractions is indoors, so vulnerable to the weather.
- Last year took relatively high dividends compared to profits; is this draining the business of funds for investment? capital expenditure is low - is the firm failing to invest, e.g. in new equipment? Is this affecting the perception of value for money?

- Low proportion of visitors have been before; likely to be more expensive to recruit new customers each time than rely on returnees - and why are they not returning? (However, might question validity of the data - relatively small sample size undertaken on one day - how confident are they of the findings?)
- 40% do not think the attractions are value for money even though the price is relatively low - does the market want Kings, Queens and British history or is this a bit dated?

Recommendations

- Needs to improve attractions - customers are not especially satisfied (if the market research can be trusted) and investment in capital items has fallen.
- Interest rate looks like it will fall and gearing is low, so greater borrowing is realistic to finance investment.
- Could also stop taking so much out as dividends and keep the funds as an internal source of finance.
- Need to consider reallocating duties, e.g. creating more positions so the work is spread between more people.
- Need to consider the succession issue - presumably Harry will retire soon and it needs to be decided who will take over.
- Need to look at HRM - should the span of control be reduced? Should an HRM department be introduced? Is training needed to improve service?

2

Total for this question: 40 marks

The UK market for desktop personal computers is maturing. Evaluate the possible ways in which major producers in this market, such as Packard Bell and Dell, may react to this. *(40 marks)*

Possible answers might include:

- This means there is little/no growth in the market overall. However there may be growth in particular segments so they may want to target these.
- The firms operating in this market will have to fight to win sales from each other - likely to lead to aggressive marketing, e.g. heavy discounting and then the consequent pressure to cut costs.
- May deter investment in research and development (R&D) on the grounds that sales are not increasing; on the other hand it may encourage R&D on the basis that this is the way to win sales and potentially promote more growth (may have to choose between low cost and differentiation strategy).
- Firms may look for new markets or new segments, e.g. overseas, personal organisers, laptops.
- May change the way the firm operates, e.g. need to rationalise.

Depends on:

- Whether the market looks like remaining static.
- The objectives of the firms involved: the market continues to be big so provided it does not decline it may be seen as a cash cow.
- The extent to which the firms are reliant on UK sales – are they experiencing growth elsewhere?
- The extent to which firms rely on desktop personal computers compared to other products.

3

Total for this question: 40 marks

At the end of 2003, the directors of the multinational drinks and chocolate producer, Cadbury Schweppes plc, set a target to cut costs by £400m a year by 2007. Discuss the possible implications of this target for the business. (40 marks)

Possible answers include:

Implications of:

- Restructuring e.g. de-layering and redundancies
- Reducing expenditure budgets
- Scaling back of operations, e.g. withdrawing from some markets
- Reviewing arrangements with suppliers
- Seeking to increase efficiency
- Reducing product range
- Boosting profitability with consequent impact on, e.g. share price
- Enabling more competitive pricing.

Depends on:

- Where it has to be achieved, e.g. implications likely to vary for different parts of the business
- When it has to be achieved, e.g. how much by 2004? 2005? 2006?
- On scale – how much is £400m compared to turnover? Profits?
- Only setting the targets – depends on whether the management intend to carry it through
- On how it is set e.g. is it achieved through consultation? Do employees agree with the need for such a target?
- On how it is achieved e.g. through saving on supplies or operating costs.
- What competitors are doing – what are their costs by comparison? What targets have they got?
- Whether cost cutting is the right strategy for the business.

The leading UK banks have been criticised for charging small business customers too much and making “excessive profits”. Discuss whether it is acceptable for these banks to make high levels of profits from their small business customers. (40 marks)

Possible answers include:

- Importance of small businesses to the UK and business in general – jobs, innovation, growth, niche-markets; should they receive special consideration and/or protection?
- This may be exploitation of small businesses – abuse of power by leading banks? How much are they charging? For what? What alternatives do small businesses have?
- What are the banks’ overall profits? How do these compare with the returns of firms in other sectors?
- Responsibilities of the banks to their own shareholders and other stakeholder groups; these profits enable the banks to invest and reward their owners. What would be the consequences for the banks if they reduce their charges for the small businesses?
- Particular need of small business customers for finance, e.g. start up funds; may mean they are especially dependent on and vulnerable to the banks’ power.
- Dominance of a few banks – limited alternatives; are they acting as a cartel?

May consider:

- What is excessive? Who is to decide?
- Acceptable to whom? Which stakeholder group?
- How long have they been making “excessive profits”? What about how they treat other groups e.g. are small businesses helping to subsidise other customers?
- How do banks behave in other countries?
- Whether it is acceptable or not, what can be done about it?

5

Total for this question: 40 marks

The combined market share of the major UK supermarkets has increased significantly in the past twenty years. Evaluate the possible consequences of this for the manufacturers who supply them. (40 marks)

Possible answers include:

- May force them to lower their prices - impact on profit margins and funds for investment.
- May mean they have to provide better levels of service, e.g. more frequent deliveries, less wastage, better information technology links with the supermarkets.
- May mean a manufacturer has to become leaner to maintain profit margins and more flexible to customer needs.
- May lead to growth of supermarket brands at expense of manufacturers' brands.
- Retailer has the power to demand product developments, innovations, packaging changes, etc.
- Manufacturers may have lost the power to demand/influence how their products are promoted in store.
- Manufacturers may have to pay to get their products in store.
- May lead to increased demand for products.

Depends on:

- How much power balance has shifted, e.g. how reliant is a manufacturer on a supermarket?
- Which firm, e.g. one imagines firms such as Coca Cola and Unilever remain fairly powerful.
- How the supermarkets use their power, e.g. what their priorities are?
- The power of the supermarkets combined is obviously huge, but the power of one may be less as manufacturers can switch to the others.
- Competition law.

Essay Marking Grid

Use this marking grid, and the guidance underneath it, when assessing each essay.

	Content 8 marks	Application 8 marks	Analysis 8 marks	Evaluation 16 marks
Level 4				16 - 13 marks Mature judgement shown in arguments and conclusions
Level 3	8 - 6 marks Good explanation/ understanding of relevant factors, e.g. range and/or depth	8 - 6 marks Good application to context	8 - 6 marks Good analysis of the question using theory appropriately and accurately	12 - 9 marks Judgement shown in arguments and/or conclusions
Level 2	5 - 3 marks Explanation/ understanding of relevant factors	5 - 3 marks Application to context	5 - 3 marks Analysis of the question with some use of relevant theory	8 - 5 marks Limited judgement shown in text or conclusions
Level 1	2 - 1 marks Relevant factors identified	2 - 1 marks Limited application to context	2 - 1 marks Limited analysis of the question	4 - 1 marks An attempt at drawing conclusions based on hearsay or assertion

The following points give a detailed list of some of the qualities which could be rewarded:

Analysis (breaking down)

- Identification of cause, effect and interrelationships.
- The appropriate use of theory or business cases/practice to investigate the question set.
- Breaking the material down to show underlying causes or problems.
- Use of appropriate techniques to analyse data.

Evaluation (bringing together)

- Building the points/themes within the answer into a connected whole.
- Logical sequencing of argument.
- Clarity through summarising an argument.

Judgement

- Judgement shown in weighing up the relative importance of different points or sides of an argument, in order to reach a conclusion.
- Informed comment on the reliability of evidence.
- Distinguishing between fact and opinion.
- Judgement of the wider issues and implications.
- Conclusions drawn from the evidence presented.
- Well-judged use of English.
- Selectivity - ensuring material is all relevant to the question.