

Markscheme

November 2024

Business management

Higher level and Standard level

Paper 1

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The markbands on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptor.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately. • Little or no reference to the stimulus material. • No arguments are made.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance. • Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization. • Any arguments made are mostly unsubstantiated.
5–6	<ul style="list-style-type: none"> • The response indicates an understanding of the demands of the question, but these demands are only partially addressed. • Some relevant and accurate use of business management tools and theories. • Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument. • Arguments are substantiated but are mostly one-sided.
7–8	<ul style="list-style-type: none"> • Mostly addresses the demands of the question. • Mostly relevant and accurate use of business management tools and theories. • Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. • Arguments are substantiated and have some balance.
9–10	<ul style="list-style-type: none"> • Clear focus on addressing the demands of the question. • Relevant and accurate use of business management tools and theories. • Relevant information from the stimulus material is integrated effectively to support the argument. • Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.

Section A

1. Define the term *market share* (line 14). [2]

The percentage (or portion) of total sales that a business has within an industry. It can be calculated using the following formula:

Market share percentage = (Business sales / total market sales) × 100.

N.B. no application required. The formula alone is not enough for [2].

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. Including the correct formula in the answer may help reach [2], although the formula is not necessary for [2].

2. State **two** possible causes of a cash-flow problem for a business (line 15). [2]

Possible causes include:

- lower/fewer sales (low amount of sales, low sales revenue, low revenue, earns little), not enough “cash in”
- higher costs and expenses (production costs, cost of sales, tax, increase in interest rates etc.), too many (current) liabilities to pay back, too much “cash out”
- having too much stock (stock not sold, not turned into cash fast enough)
- allowing too much credit, poor credit control, high debtors days (slow/late payment from consumers who bought on credit)
- paying bills (and creditors) too quickly, low creditors days
- seasonal variation in demand
- overtrading

Accept any other relevant cause.

N.B. no application required.

Mark as 1+1.

Award [1] for each possible cause of a cash-flow problem stated up to a maximum of [2].

3. Describe the **two** types of training used by OWL (lines 32–34). **[4]**

The two types of training used by OWL are on the job and off the job.

On the job training is where the training takes place at the normal place of work. New employees get three days of training delivered by existing employees.

Off the job training is where the training takes place away from the normal place of work. OWL employees receive 4 days training at a specialist hospitality centre, off site.

Mark as 2+2.

Award [1] for the description of each of type of training in the context of OWL.

Award an additional [1] for the use of the correct terminology ("on-the-job" and "off-the-job" training).

4. Explain **two** impacts on OWL of the gig economy (lines 20–21). **[4]**

Impacts on OWL of the gig economy include:

- flexibility as the gig economy enables OWL to scale up or down quickly to meet their needs (e.g. additional temporary hotel employees in the busy summer months)
- OWL may need to adapt its job offer/model and working conditions to suit gig workers
- reduced costs as these "gig" employees do not get the same benefits as OWL's permanent employees
- risk of high staff turnover as gig workers may be less loyal to OWL

Accept any other relevant impact.

Mark as 2+2.

Award [1] for each relevant impact and an additional [1] for a relevant explanation of that impact on OWL, up to a maximum of [2] for each impact.

5. Explain **one** disadvantage to OWL of outsourcing the cleaning of its hotels (lines 30–31). **[2]**

Disadvantages of outsourcing include:

- OWL “loses” control of the cleaning function (complaints increase)
- OWL is now getting more complaints about rooms not properly cleaned and outsourcing may not solve this
- the 30 part-time cleaners will probably lose their jobs or could be redeployed (which may have consequences for OWL: negative reputation as an employer, other workers wondering about their own job security etc.)

Accept any other relevant disadvantage.

Award [1] for explaining a disadvantage of outsourcing the cleaning function. Award an additional [1] for application to the case study, up to a maximum of [2].

6. Explain **two** ways in which OWL is improving its corporate social responsibility (CSR) **and one** way it is not. **[6]**

Ways OWL is improving its CSR

- Employee relations. I.e. OWL plans to offer accommodation to employees of the theme park.
- Improve the quality of life for Xanadu residents. I.e. it allows the less privileged residents on Xanadu the opportunity to make use of the unused food for \$2 a box which would cost \$10.
- Waste reduction i.e. cut food waste by 50%. OWL also has the “Waste Not” app.

Ways OWL is not improving its CSR

- May be accused of exploiting workers by charging high rents (40% of wages) for accommodation.
- Increased energy consumption is bad for the environment. I.e. the additional refrigeration required.
- Some may see the move as a cynical publicity stunt to improve their perception of Xanadu.
- The increased use of plastic / single use plastic is bad for the environment, can end up in landfills. The plastic is used for storage/stock food.
- Redundancy/unemployment/employment rates/employee relations. I.e. Outsourcing the cleaning or converting to an all-inclusive led to the loss of 30 part-time cleaners and fewer restaurant and kitchen employees. Wage costs reduced by 15%.
- Increased waste caused by the conversion to an all-inclusive model. I.e. Food wastage increased by 25%.

Accept any other relevant way.

Mark as [2 + 2] + 2.

N.B. Do not accept HR issues: flexi-time working, work from home, fringe payments, employing migrant workers.

Award [1] for identifying a way that OWL is improving its commitment to CSR and an additional [1] for explaining it up to a maximum of [2].

*Award [1] for identifying a way that OWL **is not** improving its commitment to CSR and an additional [1] for explaining it up to a maximum of [2].*

Up to a maximum of [6].

Section B

7. Discuss whether OWL should change all of its hotels to operate using the all-inclusive model. [10]

All-inclusive in hotels allows customers to have their requirements packaged together. This means that guests would no longer have to pay extra for drinks, or any food provided by the hotel. The package would be charged at a premium price compared to their existing prices.

Reasons for converting to all-inclusive:

- reductions in employees needed in the kitchen and the restaurant.
- wage costs fell by 15% in the Ryen
- bookings increased by 30% in the Ryen
- profits increased by 25% to \$12 million in the Ryen
- cost to convert each hotel is \$500 000 but would increase restaurant capacity by 50%
- conversions could be done in the winter to reduce disruption
- other hotels on Xanadu are currently not offering all-inclusive
- the complaints about not getting tables suggest that the all-inclusive option is very popular
- improved capacity utilization of the restaurant and kitchen.

Reasons for not converting to all-inclusive:

- increased levels of food wastage (25% in the Ryen)
- guest complaints about the restaurant being too busy.
- \$500 000 conversion costs for each hotel
- there is no guarantee it would be successful in all the hotels.
- possible redundancy costs for kitchen and restaurant staff.
- may lose some of their loyal customer base as many customers are repeat customers.

Accept any other relevant answer.

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

8. Recommend to OWL’s board of directors whether they should open a theme park. **[10]**

The theme park is something of a diversification for OWL. At a cost of \$78 million and is a strategically large investment, both in terms of time and finance.

Reasons for opening a theme park:

- the cost is externally financed. OWL does not have to fund the project from the outset
- provides positive diversification.
- should provide a healthy profit if forecasts are correct.
- OWL will gain money (\$2m p.a.) by outsourcing catering
- has a short payback period – less than 5 years.

Reasons for not opening the theme park:

- the cost is \$78m, which will have to be covered at some point.
- the ARR is only 4.82% which is quite low and if compared to current rate of interest (5%) it suggests it is not worthwhile.
- further investment would be needed in Year 6
- reduction in visitor numbers in years 4 and 5 (finance directors concern) would have significant impact on the payback period and ARR calculated by the finance director
- there could be poor publicity stemming from the decision to house and charge the employees
- increased costs of providing the accommodation (conversion and ongoing).

Accept any other relevant answer.

Candidates are expected to present an advisable course of action with appropriate supporting evidence/reasons. This recommendation may be presented as a conclusion.

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