

# Markscheme

November 2024

Business management

Higher level

Paper 3

© International Baccalaureate Organization 2024

All rights reserved. No part of this product may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without the prior written permission from the IB. Additionally, the license tied with this product prohibits use of any selected files or extracts from this product. Use by third parties, including but not limited to publishers, private teachers, tutoring or study services, preparatory schools, vendors operating curriculum mapping services or teacher resource digital platforms and app developers, whether fee-covered or not, is prohibited and is a criminal offense.

More information on how to request written permission in the form of a license can be obtained from <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organisation du Baccalauréat International 2024

Tous droits réservés. Aucune partie de ce produit ne peut être reproduite sous quelque forme ni par quelque moyen que ce soit, électronique ou mécanique, y compris des systèmes de stockage et de récupération d'informations, sans l'autorisation écrite préalable de l'IB. De plus, la licence associée à ce produit interdit toute utilisation de tout fichier ou extrait sélectionné dans ce produit. L'utilisation par des tiers, y compris, sans toutefois s'y limiter, des éditeurs, des professeurs particuliers, des services de tutorat ou d'aide aux études, des établissements de préparation à l'enseignement supérieur, des fournisseurs de services de planification des programmes d'études, des gestionnaires de plateformes pédagogiques en ligne, et des développeurs d'applications, moyennant paiement ou non, est interdite et constitue une infraction pénale.

Pour plus d'informations sur la procédure à suivre pour obtenir une autorisation écrite sous la forme d'une licence, rendez-vous à l'adresse <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organización del Bachillerato Internacional, 2024

Todos los derechos reservados. No se podrá reproducir ninguna parte de este producto de ninguna forma ni por ningún medio electrónico o mecánico, incluidos los sistemas de almacenamiento y recuperación de información, sin la previa autorización por escrito del IB. Además, la licencia vinculada a este producto prohíbe el uso de todo archivo o fragmento seleccionado de este producto. El uso por parte de terceros —lo que incluye, a título enunciativo, editoriales, profesores particulares, servicios de apoyo académico o ayuda para el estudio, colegios preparatorios, desarrolladores de aplicaciones y entidades que presten servicios de planificación curricular u ofrezcan recursos para docentes mediante plataformas digitales—, ya sea incluido en tasas o no, está prohibido y constituye un delito.

En este enlace encontrará más información sobre cómo solicitar una autorización por escrito en forma de licencia: <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

1. Using an appropriate business management motivation theory, describe **one** human need that *SP* meets by offering fresh fruit to children and free life coaching (mentoring). **[2]**

The most appropriate business management motivation theory which could be linked to needs in this case is **Maslow's hierarchy of needs** especially **physiological, social** and **self-actualization** as we are referring to **free life coaching (mentoring)/training, and fresh fruit to school children**.

Award **[1]** for identifying Maslow Need – Basic can be used for physiological – do not accept psychological.

The **human needs** that *SP* meets by **offering fresh fruit to children and free life coaching** include:

- **physiological** needs include **food/nutrition**
- **social** needs are being met **communication/friendship**
- **confidence/goal setting** links to **self-actualization**
- **esteem** needs from people becoming **more confident socially** and with skills after life coaching.

**Mark as [1+1].**

Award **[1]** for using an appropriate business management motivation theory, e.g. Maslow's hierarchy of needs, and **[1]** for describing a human need. Award up to a maximum of **[2]**.

Award **[1]** only if the candidate writes that *SP* meets a physiological need through offering fresh fruit for example as this is lifting from the stimulus.

Accept other motivational theory linked to coaching.

2. Using **Resource 3** and other relevant information from the stimulus, explain **two** possible financial challenges facing *SP*. **[6]**

There are several **financial challenges** facing *SP*:

- *SP* is considered **highly geared** in 2024, **60% compared to industry average of 42%**. (Application) Fatima has said a **bank loan** is a potential source of **finance** for the **new stadium**. She is also looking for potential investors as an increase in gearing may impact on the attractiveness of *SP*. A **further loan** would **increase the gearing ratio further**. **Repayments** could become **difficult** for *SP* if revenue falls or interest rates increase. (Identification and Theoretical explanation)
- **Current ratio** looks like *SP* may have some **liquidity issues in the future**. Their current ratio is forecasted to be 0.8 in 2029. This ratio, **taken alongside creditor days**, shows *SP* may be **expecting some liquidity issues in the future**. This may impact on cash flow as *SP* takes on more debt. The industry average is 1.2.
- In 2024, the **profit margin** has **halved from 10% to 5%**. In the same period, the gross profit margin has increased (10% approx.). This shows that *SP* has the **challenge** of **controlling its expenses**. **Increasing expenses could be due to** the priority of **increasing ethical actions**, such as offering **free coaching and fresh fruit**.
- The return on capital employed (**ROCE**) has **fallen** drastically (65%) **from 8% to 3%** and is well below the industry average (5%). *SP* are struggling to generate profit from their capital. This could also deter some potential investors who see higher financial returns.
- **Creditor days** have **increased** from 30 to 53 (77% approx.) and is expected to rise to 65 in 2029. **The industry average is currently 35**. There could be a danger **suppliers will tighten**

their **credit terms** for *SP* and **demand payment more quickly**. *SP* have to **consider** whether it is **ethical** to make **suppliers wait** longer for **payment**.

**Mark as [3+3].**

*Award [1] for identification of a challenge, [1] for theoretical explanation and [1] for application to SP.*

*Award up to a maximum of [3] for each challenge.*

*Award a maximum of [6] in total.*

3. Using all the resources provided and your knowledge of business management tools and theories, recommend a possible plan of action to ensure A New Way 2029 succeeds. **[17]**

### **One possible plan of action to ensure success of A New Way 2029**

#### **Introduction**

*SP* was clearly in a **bad situation** when Fatima bought the club (E.g. ticket sales were falling, insolvency, late or missed payments). While there have been minor improvements in results and financial management (**Resource 1**), Fatima wants more dynamic change for *SP*. A New Way 2029 is Fatima's new strategy to turn *SP* into a **for-profit social enterprise** and concentrate on becoming the world's most **ethical football club**.

#### **Positive factors which could ensure the success of A New Way 2029**

**Investing half of SP's profit in local community projects (Resource 1)** could help to reduce **stakeholder conflict and increase brand awareness worldwide as a club that promotes equity, access and inclusion**. There would be positive **promotion** of *SP* in the community as they promote **exercise in schools, subsidize healthy eating and offer football training** to people with mobility issues. This approach could help to obtain local support for **A New Way 2029**.

**Resource 2** says Fatima has conducted a **force field analysis and Porter's generic strategies to decide** on their **approach**. This shows Fatima is taking a **strategic approach to implementing A New Way 2029**. A **key component** of success for A New Way 2029 is the **building of a new stadium (using cradle-to-cradle design)**. The **goal** is to be the **most ethical club in the world**, and play in the lowest carbon footprint stadium in the world (**Resource 2**) is a big step towards success.

**Resource 4** shows **tactics to increase sales revenue by 40%**; with more supporters worldwide, *SP* **could** substantially increase **pay-per-view broadcasting sales** (expanding distribution methods) and purchases of eco-friendly **merchandise (expanding product range)**, such as football shirts made of bamboo.

**Social media marketing** is an opportunity for *SP* in ensuring the success of A New Way 2029. **Resource 5** shows the potential to gain **celebrity endorsements** for *SP* and their plan. If somebody with 45 million followers on social media can support *SP*, **this could encourage other socially conscious fans to support it**.

#### **Possible balance for the plan of action to ensure success:**

**Resource 2** shows that Fatima believes the **social enterprise** aspect of *SP* to be **more important than the short-term** goal of winning games. There is clearly a degree of **stakeholder conflict (Resource 5)** which could affect the potential success of A New Way 2029. There is **unrest among some supporters**, and there are even some calls for Fatima to leave *SP*. **Resource 5** shows there is

a degree of **conflict with supporters** questioning the direction *SP* are going. A vital issue for *SP* to **resolve** is ensuring all **stakeholders support the new strategy**. **Will A New Way 2029 be successful if the club continues to lose?** Resource 2 mentions that “*SP* is now 10 games without a win”.

The **major drawback** ensuring the success of A New Way 2029 is the **financial constraints** *SP* are operating under. There have been slight improvements in cash flow management, with the **current ratio and gross profit margin improving between 2023 and 2024 (Resource 3)**; however, the **predictions for 2029 are worrying**. Resource 2 quotes Fatima saying she is unsure how the stadium would be **financed** and did not exclude **investors, crowdfunding** or a **bank loan**. A **further bank loan could be dangerous** for *SP* as their **gearing is forecast to be 80% in 2029**. This figure might **be sustainable if the club succeeds**; however, **if sales revenue does not increase by the planned 40%** (Resource 4), then ***SP* could struggle to repay** the loan. **Crowdfunding could be a way to include supporters** in the process and be part-owners of *SP*. This could be **a way to raise permanent capital** and **reduce some stakeholder conflict**.

**A New Way 2029 is a highly ambitious project** Fatima and *SP* are pursuing. **If *SP* can solve the financial issues and increase the supporter base, then *SP* could reach its goal of being a successful for-profit social enterprise**. Ensuring the success of Fatima’s dream of being “the most ethical football club in the world” is challenging, but the potential rewards for the local community and environment are considerable. Careful **monitoring** and **reporting** back on the progress of the New Way will be **important to ensure its success**.

**Appropriate tools** and theories could include:

- **Porters’ generic strategies**
- **social marketing**
- **financial data analysis**
- **CSR strategies**
- **stakeholder analysis**
- **cradle-to-cradle design**.

Please note that tools and theories should be appropriate to a plan of action over the next 5 years to ensure success. This success could be ethical and or financial/team performance with reference to a New Way 2029.

*Marks should be allocated according to the assessment criteria on pages 6–7.*

The following assessment criteria will be used for question 3.

**Criterion A: Use of resource materials**

To what extent does the student use the resource materials provided to effectively support the recommended plan of action?

Marks	Level descriptor
0	The response does not reach a standard described by the descriptors below.
1	The response makes limited reference to the resource materials provided <b>or</b> the resources identified have been used ineffectively to support the recommended plan of action.
2	The response makes some reference to the resource materials provided <b>or</b> the resources identified have been used in a superficial way to support the recommended plan of action.
3	The response makes reference to most of the resource materials provided to support the recommended plan of action.
4	The response makes reference to all resource materials provided to effectively support the recommended plan of action.

**Criterion B: Business management tools and theories**

To what extent does the student’s plan of action effectively apply appropriate business management tools and theories?

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The response demonstrates limited application of appropriate business management tools and theories.
2	The response superficially applies appropriate business management tools and theories.
3	The response satisfactorily applies appropriate business management tools and theories.
4	The response effectively applies appropriate business management tools and theories.

Appropriate tools can be identified from the toolkit but any theory (business content) which is used as a decision-making tool or applied to the plan of action should be accepted.

**Criterion C: Evaluation**

To what extent does the student effectively evaluate the expected impact of their plan of action on the relevant areas of the business?

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	The response is largely descriptive with limited analysis or evaluation of the expected impact of their plan of action. There is limited reference to the relevant areas of the business.
3–4	The response analyses the expected impact of their plan of action with some reference to the relevant areas of the business. There is some evidence of evaluation but it is not sustained.
5–6	The student effectively evaluates the expected impact of their plan of action on the relevant areas of the business and considers the trade-offs between those areas.

Relevant areas of an action plan should include two distinct areas.

If a candidate writes that we may need more information or question the reliability of the stimulus before making a successful plan of action, **please do not consider this as a trade-off**.

**Criterion D: Sequencing of ideas and plan of action**

To what extent are the student’s ideas and plan of action sequenced in a clear and coherent manner?

Marks	Level descriptor
0	The response does not reach a standard described by the descriptors below.
1	The response is limited in its sequencing of ideas and plan of action.
2	The response consists of ideas and a plan of action but these are not always sequenced in a clear manner.
3	The response effectively sequences appropriate ideas and a plan of action in a clear and coherent manner.

Please note that weak performance in criteria A B and C does not imply that the mark for criterion D will be weak. A descriptive, inappropriate one-sided plan of action could still be clear and coherent and thus should be awarded **[2]** as per the markband.

---