

Section A Exam-style Questions for May 2023 Case Study: Skandvig Terra (SVT)
MARKSCHEME

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Source for markbands and assessment criteria: IBO

Unit 1: Business Organization and Environment

1. (a) Describe **two** economic sectors SVT operates in. [4]

Primary sector: The water supply division sources water from the environment (surface water deposits, rivers and subterranean aquifers), similar to the desalination division that sources sea water.

Secondary (mainly): Processing water, desalinates water, build desalination plants, manufactures machinery and turbines, manufactures filters

Tertiary: selling products and maintaining the networks.

Mark as 2+2.

Award [1] for each correct economic sector identified and [1] for a description of how it relates to SVT.

(b) Explain the reasons why SVT has developed a corporate social responsibility program (CSR) - SVT's Outreach Programme. [6]

The main benefits of SVT implementing the Outreach programme are:

- Improved brand image (which could support the objective of brand leadership for water filters)
- Attract motivated employees (especially when supply is limited)
- Rewards low turnover as it aims at employees working in the company more than 10 years
- Less action from pressure groups
- Better relations with other stakeholders
- Possibly higher-long term profitability
- Support from local communities
- Competitive advantage

Accept any other relevant point.

Marks should be allocated according to the mark bands on page 1.

Award a maximum of [3] for a theoretical answer

Award a maximum of [5] if the explanation of benefits of having a clearly defined mission statement is mainly descriptive, but in context.

2. (a) Describe **one** strength and **one** weakness of SVT.

[4]

Possible strengths identified:

- SVT has a regional monopoly in each country in which it operates (I.7)
- Improved efficiency and labour productivity (I.24, I. 74-75)
- SVT achieved economies of scale by modernising and reorganising H4's operations (I.56)
- Multiple income streams (e.g. I.36-38)
- Broad product range (I.49)
- CSR activities (SVT's CSR outreach program I.96-97)
- Full order book for 2023 for wind turbines (I.80)
- SVT's share price rose by 65 % and annual profits doubled, enabling the company to increase its dividends each year. (I. 88 – 89)
- Multinational company operating in multiple countries (I.5, I.39-41)
- The large increase in the demand for cruise holidays in the last 20 years has boosted SVT's sales of these plants by 300% since 2015 (I. 44-45)
- Innovative technologies to enhance the speed and quality of production (L.72)

Possible weaknesses identified:

- The leadership styles of the directors differ between the divisions that create clashes (I.19, 24-26)
- Some machinery needs update (I.24-26)
- H4 never used financial/non-financial methods of motivation (I.55)
- Their water filters are not suitable for use in countries that have problems with access to potable water (I.86)
- SVT has little experience of distributing consumer products in LEDCs and no distribution channel in place for this new product (I.133)
- Conflict between stakeholders due to deciding whether they should subsidise the WF15 or not (I.130)

N.B. No need for candidates to actually mention SWOT by name.

Mark as 2+2.

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*Award [1] for correct strength identified and [1] for a description of how that strength relates to SVT.
Award [1] for correct weakness identified and [1] for a description of how that weakness relates to SVT.*

(b) Explain the benefits to SVT of having a vision statement.

[6]

Potential benefits may include:

- Aids in recruitment and staff retention
- May offer SVT a competitive advantage/USP
- Can be a source of inspiration (driving force) for internal stakeholders
- Informs strategic planning, i.e. where the organization wants to be
- Helps aid objectives, strategies and its tactics (helps in resource and budgetary planning)
- It shows its long-term commitment as it has remained the same since SVT was founded
- Informs external stakeholders

Accept any other relevant point.

Marks should be allocated according to the mark bands on page 1.

Award a maximum of [3] for a theoretical answer

Award a maximum of [5] if the explanation of benefits of having a clearly defined mission statement is mainly descriptive, but in context.

Unit 2: Human Resource Management

3. (a) Explain **two** possible human resource strategies that SVT could use to reduce H4's employees' resistance to change. [4]

Two possible change management strategies as part of overall HR strategies that could have been used by SVT to reduce the impact of H4'employees' resistance to change.

- The employees were not involved in any decision making, so it can be assumed that there was not much communication between employees and management; as such, open and clear communication with the employees can be seen as one possible change strategy.
- SVT's management should be honest and fully explain the reasons for the change. The management should emphasize the positive outcome of modernizing and increasing the operation (shifts and days) of H4 as a way to increase efficiency and productivity.
- The modernization could offer new opportunities for the remaining employees
- SVT could encourage bottom-up participation and consult with the employees and could have listened listen to their suggestions and opinion.
- SVT's management should acknowledge the fear of the unknown and the possibility of resistance to change due to fear of inability to cope with new challenges.
- A promise of financial and non-financial rewards could be provided for the employees that would choose to remain at H4.
- Another strategy could be to appoint a change champion among the employees to encourage those employees who were reluctant to change to see the benefits. This could result in less employees leaving the company.

Accept any other relevant change HR strategy.

Award [1] for a relevant generic HR (change management) strategy identified or described and [1] for any additional explanation in context.

[2] cannot be awarded for the chosen (change management) HR strategy if the response lacks either explanation and / or application.

For example:

- *For an identification or a description of an HR strategy with or without application [1].*
- *For explanation of an HR strategy with no application [1].*
- *For explanation of an HR strategy and application [2].*

Do not credit non-HR strategies. Analysis of strategies is not required.

(b) With reference to Ariadne, Yannick and Jayne, explain the key functions of management. [6]

Functions include:

- setting objectives and planning, e.g. marketing budget, introducing new products (e.g. WF-15)
- organising resources to meet objectives e.g. quickly find alternative sources of potable water, additional capacity for wind turbines, modernization of H4
- directing and motivating staff e.g. outreach program, increased productivity, opportunities for new
- coordinating activities e.g. each Director within the division to achieve their objectives
- controlling and measuring performance e.g. productivity rate, marketing budget, brand leadership

Accept any other relevant explanation.

Marks should be allocated according to the markbands on page 1.

Award a maximum of [3] for a theoretical answer.

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

For full marks the explanation needs to be developed and in context.

4. (a) With reference to SVT and H4, describe two steps involved in the process of recruitment. [4]

Steps in the recruitment process:

- Define job description (about the job): 300 vacancies, variety of jobs
- Person Specification (about the qualities and skills of the person): highly skilled and specialized employees. Very short supply in the UK, employees who worked well in a team environment
- Attract applicants (advertise either internally or externally): The HR dep. chose carefully where to advertise the vacancies
- Create a shortlist of applicants
- Interview
- Proposal to the successful candidate

Mark as 2 + 2

Award [1] for a correct description of a step involved in the process of recruitment and [1] for an explanation and application of how the step relates to SVT and/or H4.

(b) With reference to SVT and H4, explain the impact of low labour turnover at H4 [6]

- Less induction training and recruitment costs, however SVT has recruited 300 new employees
- Employees know the company culture, although there has been resistance to change after the take over and the implementation of the modernization programme
- Easier to establish team spirit and corporate culture
- Increased motivation due to job security
- Not need of finding new specialized employees especially as there is shortage of labour supply

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Accept any other relevant explanation.

Marks should be allocated according to the markbands on page 1.

Award a maximum of [3] for a theoretical answer.

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

For full marks the explanation needs to be developed and in context.

Unit 3: Finance and Accounts

5. (a) Describe **one** advantage and **one** disadvantage of SVT subsidizing WF-15. [4]

Possible advantages:

- There is no interest or no repayment needed
- Low price that will attract more sales
- Positive brand image
- Can be withdrawn

Possible disadvantages:

- Impact on profits and profitability
- Opportunity cost if cost of production is subsidized

Mark as 2+2.

Award [1] for correct advantage identified and [1] for a description of how that advantage relates to SVT. Award [1] for correct disadvantage identified and [1] for a description of how that disadvantage relates to SVT.

(b) Explain the benefits to SVT of having multiple revenue streams. [6]

- The more revenue streams, the more diversified the business and the less risky it is to market volatility.
- Leads to higher total revenue for the business
- Helps in predicting and estimating sales and revenues of the business

Accept any other relevant explanation.

Marks should be allocated according to the markbands on page 1.

Award a maximum of [3] for a theoretical answer.

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

For full marks the explanation needs to be developed and in context.

A judgement/recommendation is not needed for [6].

6. (a) Describe **two** advantages for SVT of using a budget. **(HL only)**

[4]

Possible advantages include:

- Supports planning of marketing activities
- Achieving targets such as the brand leadership
- Managing resources of the division
- Performance measuring against marketing objectives set
- Monitoring and controlling the budget over the five years
- Reviewing and change as the marketing budget is for five years it will need to be reviewed depending on changes that occur internally or externally

Accept any other relevant advantage.

As the budget in the case study is related to marketing budget, it is expected that the application will be in the context of marketing strategy and activities.

Mark as 2 + 2.

Award [1] for each advantage identified, and [1] for the development of each of this advantage in the context of SVT. Award up to a maximum of [2] per advantage.

(b) Explain how subsidies will negatively impact SVT's overall profitability, making other stakeholders in the business unhappy. [6]

The subsidizing of WF-15 will have a negative impact on SVT's profit and profitability, which could affect their final accounts. These are some reasons why stakeholders in the business may be unhappy:

- Employees: reduction of profitability may create job insecurity and lack of financial rewards
- Directors: reduction of profitability may reduce bonuses or other performance related rewards. It will also affect their future planning and budgeting as retained profits may decrease as well as ratios may worsen making more difficult to receive external sources of finance.
- Shareholders: reduction of profitability may reduce the dividends they will receive.

Accept any other relevant analysis of the impacts of subsidizing WF-15

Note: As the question mentions "stakeholders in the business" only internal stakeholders should be analysed. Do not credit marks for external stakeholders.

Marks should be allocated according to the markbands on page 1.

Award a maximum of [3] for a theoretical answer.

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

For full marks the explanation needs to be developed and in context.

A judgement/recommendation is not needed for [6].

Unit 4: Marketing

7. (a) Describe **two** ways SVT differentiates its products from its competitors. [4]

Possible differentiation:

- Low/lowest price: e.g. for WF15
- Trust: e.g. Potable water for million of people in over 20 countries
- Ethical stance: e.g. CSR outreach program, WF15
- Convenience: e.g. household filters
- Product features: e.g. household filters, desalination plants, WF-15

Accept any other relevant answer.

Mark as 2+2

Award [1] for a correct differentiation method identified and [1] for a description of how that method relates to SVT.

(b) With reference to SVT and the home filters, explain the importance of brand leadership [6]

- Bargaining power with suppliers
- Economies of scale
- Influencing promotional message
- Recruit high-class executives
- Easier financing
- Strong brand image
- Customer loyalty
- Possibility of premium pricing

Accept any other reasonable method and explanation.

Marks should be allocated according to the markbands on page 1.

Award a maximum of [3] for a theoretical answer.

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

A judgement/recommendation is not needed for [6].

8. (a) With reference to WF-15, describe **two** steps in the development of a brand. [4]

Common steps in developing a brand include:

- consideration of the business' strategy
- identification of the target market
- doing market research
- focusing on any one of the four Ps for purposeful positioning

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- development of market vision around the USP
- selection of a name and logo
- development of a marketing strategy

Accept any other relevant step. Candidates do not have to use identical wording to the above. Award [1] for identification of a step and [2] for an appropriate description of it related to WF-15.

(b) Explain a suitable promotional mix that SVT might use for the WF-15. [6]

Relevant context:

- James Azuki, a university student won the competition. He named his design “WF15”, as it was his fifteenth attempt that finally produced potable water in sufficient quantity, and SVT agreed to retain this name for the product.
- The product needs to be affordable for low income families in LEDCs countries
- A few hours of sunlight can power the WF15 to produce enough potable water each day to meet the needs of up to four people.
- The water produced meets the World Health Organization guidelines for potable water.
- SVT has little experience of distributing consumer products in LEDCs and no distribution channel in place for this new product.
- SVT’s marketing department recently used secondary market research to investigate the spending patterns of low-income families in LEDCs and their access to media. The findings found that:
 - o only a minority of families owned a television set
 - o newspapers and magazines were seldom purchased
 - o levels of social media usage were fast approaching the levels seen in advanced economies.
- No information about availability of marketing budget for this product

Above the line methods:

- Where? Radio and online ads as TV ads, newspapers and magazines wouldn’t be appropriate due to the results of the secondary research

Below the line:

- sales promotion. How? Two for the price of one might work
- Public relations. To promote the social aspect, the students that won the competition and the story behind the development of WF-15
- Social media: as levels of usage are growing
- Sponsorships: of local events in LEDC countries, or in western countries to promote the product and be supported

Remember: This question is about a “mix” of promotional activities and therefore needs more than one promotional activity.

Accept any other reasonable method and explanation.

Award a maximum of [3] for a theoretical answer.

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Award a maximum of [4] if the explanation is limited to only one promotional activity in context.
Award a maximum of [5] if the answer is purely descriptive but in context.
A judgement/recommendation is not needed for [6].

Unit 5: Operations Management

HL and SL

9. (a) Explain **two** qualitative factors of location for SVT to open a new desalination plant [4]

- Labour supply as specialized employees will be needed
- Infrastructure for transporting the water
- Safety
- Government grants as a source of finance
- Legislation for the operation of desalination plants
- Taxes
- Environmental regulations for the operation of desalination plants
- External economies of scale
- Exchange rates if it is to be in a new country
- Cultural differences / language barriers if it is in a new country

Accept any other relevant answer.

Mark as 2+2

Award [1] for a correct factor identified and [1] for a description of how that method relates to SVT.

(b) With reference to SVT, explain the role of sustainability. [6]

Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs.

Importance relates to:

- maintaining the goodwill of SVT
- maintaining the positive relationship with stakeholders
- Maintaining the brand image and adhering to their vision statement aiming to improve long term success of SVT
- Improve brand image

Sustainability at SVT based on the triple bottom line examples:

Ecological:

- In 2022, the smallest of the former H4 factories manufactured SVT's first wind turbine. The demand for wind turbines is expected to grow each year as more countries seek methods of generating electricity that do not rely on burning fossil fuels.
- A few hours of sunlight can power the WF15 to produce enough potable water each day to meet the needs of up to four people.

Economic:

- Desalination division: The large increase in the demand for cruise holidays in the last 20 years has boosted SVT's sales of these plants by 300 % since 2015
- Between 2005 and 2010, SVT's Consumer Products Division made consistently increasing contributions to SVT's overall profits.

Social:

- SVT currently supplies potable water to over one million people in Norway and to millions of households in over 20 other countries.
- For example, in response to climate change causing shortages of potable water in some countries, Yannick, was able to quickly find alternative sources of potable water.
- SVT set up its Outreach Programme as part of the company's commitment to helping people in less economically developed countries (LEDCs). The programme offers these countries free skilled labour provided by SVT employees.
- Jayne recommended to the board of directors that SVT become actively involved in developing low-cost, easily transportable water purifiers for use in countries where access to potable water is limited.
- SVT launched a competition, aimed at inventors and entrepreneurs, to develop a water purifier that met strict criteria in terms of cost, usability and longevity.
- WF15: the product to make it affordable to as many people as possible

Accept any other relevant analysis.

Marks should be allocated according to the markbands on page 1.

Award a maximum of [3] for a theoretical answer.

Award a maximum of [5] if the analysis is mainly descriptive but in context. For full marks the explanation needs to be developed and in context

A judgement/recommendation is not needed for [6].

HL only

10. (a) Describe **two** methods SVT might use to improve its labour productivity.

[4]

- Improve employees' motivation (e.g. introduce financial and non-financial rewards for H4 employees)
- Training of employees (e.g. induction training or other training opportunities)
- Invest in more technological advanced and efficient equipment (e.g. Yannick wants to replace existing machinery)
- Better management of resources and factors of production (e.g. modernization of H4)

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Accept any other relevant answer.

Mark as 2+2

Award [1] for a correct method identified and [1] for a description of how that method relates to SVT.

(b) With reference to SVT, discuss the advantages and disadvantages of operating at full capacity.
[6]

Advantages

Average costs of production are at their lowest level (economies of scales have been achieved)

Lower cost per unit may lead to higher profit (increase in profitability)

The business operates efficiently (e.g. modernization programme of H4, Adriane's division)

Disadvantages

The business may lose orders (e.g. wind turbines)

Overworked employees (e.g. H4)

Maintenance and replacement costs of machinery may increase due to intense use

Accept any other reasonable advantage/disadvantage and explanation.

Award a maximum of [3] for a theoretical answer.

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

A judgement/recommendation is not needed for [6].