Version 1.0



General Certificate of Education
June 2010

GCE Business Studies BUSS4

Mark Scheme

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.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

Copyright © 2010 AQA and its licensors. All rights reserved.

COPYRIGHT
AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

The Assessment and Qualifications Alliance (AQA) is a company limited by guarantee registered in England and Wales (company number 3644723) and a registered charity (registered charity number 1073334).
Registered address: AQA, Devas Street, Manchester M15 6E

	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Candidates give accurate definitions of relevant terms. Candidates can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Candidates should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Candidates will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Candidates use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, candidates may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Candidates evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or it can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Candidates will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to: • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate The assessment of the quality of written communication is included in **Assessment Objective 4**.

1 **Total for this question: 40 marks**

With reference to the item above and your own research, to what extent do you think that cutting costs is the best strategy for businesses to adopt in a recession?

Relevant answers might include the following:

- cost cutting could include redundancies, pay freezes, bargaining down supply costs, reducing waste, reducing training or cutting R&D programmes
- may preserve profit margins and profits enabling rewards to still be paid to investors (sustaining share price and protecting it from takeover) and/or enabling investment or survival
- may enable prices to be maintained or even lowered which could be important when customers are searching for value
- may help cash flow if outflows are cut – a key issue in a recession.

But

- may be difficult to bring about, eg resistance from unions and employees or suppliers; may lead to adverse stakeholder reaction
- may worsen employer/employee relations
- may damage long-term performance, eg by reducing R&D.

May depend on:

- how costs are cut, eg is it through removing waste, using energy more efficiently or through redundancies?
- best in what sense? And for whom? For example, may depend on which stakeholder group is considered
- is it likely to be a short-term reaction, ie does it put the business in a position to make the most of the recovery when it comes? Should it be investing in developing different products/looking for new markets if it can afford it?
- the industry and business; some businesses may not need to cut costs if they are prospering
- the way cost cuts are introduced and whether the need for the cuts is accepted
- what the alternatives are (eg seeking government help).

Overall:

- could consider the value of cutting costs relative to other strategies, eg investing in innovations, looking for new markets
- businesses may adopt a combination of strategies.

2 **Total for this question: 40 marks**

With reference to the item above and your own research, to what extent do you think that the UK motor industry deserves government financial support more than other industries?

Relevant answers might include the following:

- financial support in the form of loans and the scrappage scheme (ceased March 2010)
- helping to bring about more environmentally friendly production
- many jobs depend on the motor industry (both directly and indirectly); significant for growth in the economy
- generates export income for the country
- this industry is a big investor in research and development which has knock on effects for other industries and leads to innovation
- unions may be well organised so politically it might make sense to support this industry
- need to retain capacity and skills for the recovery
- support given by other governments to their car industries, eg US government.

But

- other industries may also claim they are important, (eg retailers) so value judgements need to be made about who 'deserves' support – construction, retail, airlines?
- will it prevent or help essential changes to be made?
- what is the opportunity cost of the funds used here? How might funds be used elsewhere?
- government has intervened elsewhere, eg banking.

Overall, may depend on:

- how the finance is used – will it be used for developing more environmentally friendly cars which may be desirable (although ultimately cars are still likely to be bad for the environment)? May be an opportunity to bring about faster change within the industry
- does it have to be one industry or another; can more than one industry receive funds?
- the terms of the deal
- the consequences of the long-term funding
- government may intervene in different ways, eg buying shares in banks
- should the government try to pick 'winners' and 'losers'?
- may question whether any industry 'deserves' support.

Section A level descriptors

Level	Descriptor		Marks
L5	Application/analysis	Both good	**26–23**
L4	Application/analysis	1 good **and** 1 reasonable	**22–18**
L3	Application/analysis	Both reasonable **or** 1 good ***and*** 1 limited	**17–13**
L2	Application/analysis	1 reasonable **and** 1 limited	**12–8**
L1	Limited response	Answer based primarily on knowledge	**7–1**

NB: Reasonable application must have evidence of research.

For Evaluation, you should award marks using the grid below:

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good evaluation with evidence of research. Ideas are communicated using a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	**14–11**
E2	Reasonable evaluation with evidence of research. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	**10–6**
E1	Limited evaluation. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	**5–1**

3 **Total for this question: 40 marks**

BP is a multinational energy business that has 92 000 employees and operates in 100 countries. When a new chief executive was recruited internally at BP, he promised to improve the company's disappointing performance by quickly changing its culture to become more innovative and more responsive to its customers. How easy do you think it is for a new chief executive to change the culture of an organisation quickly? Justify your answer with reference to BP and/or other businesses that you know.

Relevant answers might include the following:

- problems changing values and attitudes
- resistance from employees because:
  - they may be worse off if, for example, they are not very innovative (although if the performance of the business improves they may end up being better off)
  - they may not believe in the new leader (does the fact it is an internal appointment make it better or worse?)
  - they may not accept that change is necessary (although the disappointing performance in this case might make this unlikely)
- resources may be a problem if the business has not been doing well
- changing culture quickly is particularly difficult; may have to force it through and change behaviour on the basis that, if it proves to work, then attitudes change later.

In this case:

- it is a large business with many employees and in different countries so attitudes may be very difficult to change on this scale; can this be done quickly?
- the biggest problem may depend on the business and the resources and background of the chief executive
- depends how deep rooted the existing culture is
- quick change may be more difficult than long-term change
- the disappointing performance may make the need for change easier to understand
- a more innovative culture may create more opportunities within the business.

It depends on:

- the extent of the change of culture
- the way change is introduced and managed
- whether the benefits of change are understood and perceived as desirable
- whether the gains from culture change can be demonstrated quickly
- support of other managers
- leadership skills/style
- skills and attitude of the workforce.

4 **Total for this question: 40 marks**

Many large businesses have made bad strategic decisions at some point. For example, Microsoft was slow to realise the opportunities created by the internet whilst Marks and Spencer had to close many of the stores it had opened abroad. What do you think are the main reasons for big businesses sometimes making bad decisions? Justify your answer with reference to Microsoft and Marks and Spencer and/or other businesses that you know.

Relevant answers might include the following:

- may be cultural issues; too inward looking and not enough people willing to challenge; may have been a sense that they were invincible if they are as big as Microsoft
- may be poor information management – failure to gather, analyse or pass on information particularly in this case in relation to new technology and trends and markets overseas
- have to take a risk to gain rewards; some strategies may work but some may fail. These organisations also make many good decisions; what matters overall is whether the good outweigh the bad
- do they learn from these decisions or are they likely to make the same mistakes again?
- may be that the mistakes are publicised more because they are big businesses
- why should size guarantee better decision making?
- sometimes external change is rapid and difficult to predict
- not just big businesses that make bad decisions; depends on information available and the decision makers
- may depend on the pressure to do something, eg may have been investor pressure on Marks and Spencer's managers to grow the business
- rate of change in the environment
- implementation
- quality of research
- pressure from stakeholders
- lack of regulation
- approach to decision making, eg scientific or intuitive
- diseconomies of scale.

Depends:

On the particular situation, eg the culture, the internal environment and the external environment at the time; businesses also make good decisions and both these companies have survived and continued to be successful.

- relative importance of different factors
- relevant factors of big business versus small
- assessment of timing, eg was it good when it was made even if it proved to be wrong?

5 **Total for this question: 40 marks**

The UK bottled water market has been dominated by firms such as Nestlé and Danone for many years. Coca-Cola, the soft drinks producer, recently entered the bottled water market in a number of countries, including the UK, with brands such as Malvern and Glacéau. What do you think is the best strategy for existing businesses to adopt in response to the entry of a new large competitor? Justify your answer with reference to the UK bottled water market and/or other markets that you know.

Relevant answers might include the following:

- price cuts
- major promotional campaign
- innovate
- look to take over the entrant
- pressurise distributors to restrict the products they handle
- launch more products to match benefits of entrant
- use of Ansoff matrix and Boston matrix
- entering new markets
- cost cutting
- better supply chain management
- exploit market power
- exit the market.

Depends on:

- perceived threat, eg how much market share is likely to be lost in how many countries? For example, Nestlé and Danone are big businesses themselves so how affected are they overall?
- relative power of eg Coca-Cola relative to rivals, suppliers, buyers
- determination of eg Coca-Cola to succeed, eg how many resources committed to this?
- desire to send a signal to other producers to stay out
- exit costs, eg how easy is it for them to move resources into other markets?
- what the market as a whole is doing, eg growing or shrinking
- 'best' strategy – from whose perspective?
- short-term reaction may be different from the long-term strategy, eg price cuts v new product development.

Section B level descriptors - Essays

Level	Descriptor		Marks
L5	Application/analysis	Both good	**26–23**
L4	Application/analysis	1 good **and** 1 reasonable	**22–18**
L3	Application/analysis	Both reasonable **or** 1 good ***and*** 1 limited	**17–13**
L2	Application/analysis	1 reasonable **and** 1 limited	**12–8**
L1	Limited response	Answer based primarily on knowledge	**7–1**

For Evaluation, you should award marks using the grid below:

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good evaluation. Ideas are communicated using a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	**14–11**
E2	Reasonable evaluation. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	**10–6**
E1	Limited evaluation. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	**5–1**