



GCE A LEVEL MARKING SCHEME

SUMMER 2022

**A LEVEL
BUSINESS – UNIT 4
1510U40-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2022 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

A LEVEL BUSINESS - UNIT 4

SUMMER 2022 MARK SCHEME

1 (a)	Analyse why risk management is important to car manufacturers.			[6]
Band	AO1	AO2	AO3	
	2 marks	2 marks	2 marks	
2	<p align="center">2 marks</p> <p>Good and clear understanding of risk management</p>	<p align="center">2 marks</p> <p>Good application to car manufacturers</p> <p>The learner makes effective use of the data throughout their answer</p>	<p align="center">2 marks</p> <p>Good analysis of the importance of risk management</p> <p>Points raised are developed showing good lines of reasoning</p>	
1	<p align="center">1 mark</p> <p>Limited understanding of risk management</p>	<p align="center">1 mark</p> <p>Limited application to car manufacturers</p> <p>The learner response is mainly theoretical with the limited use of examples from the case study</p>	<p align="center">1 mark</p> <p>Limited analysis of the importance of risk management</p> <p>Points raised are partially developed</p>	
0	<p align="center">0 marks</p> <p>No valid understanding</p>	<p align="center">0 marks</p> <p>No valid application</p>	<p align="center">0 marks</p> <p>No valid analysis</p>	

Indicative content:

Risk management is the process of understanding and minimising what might go wrong in an organisation. It involves the activities undertaken by a business, which are designed to control and minimise threats to the continuing efficiency, profitability and success of its operations.

Benefits include:

- It helps a business to identify and analyse risks to which an organisation are exposed. For example, the declining sales in the UK or the potential increase in interest rates.
- Businesses can decide what actions can be taken to avoid risk or reduce the impact of the risk. For example, investing in the development of electric vehicles to compensate for the loss of sales as a result of the falling sales of diesel cars.
- Risk management is important in an organisation because without it, a firm cannot possibly define its objectives for the future. If a company defines objectives without taking the risks into consideration, chances are that they will lose direction once any of these risks hit home.

Credit any other valid lines of reasoning

1 (b)	Explain how car manufacturers are responding to environmental issues. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good and clear understanding of how businesses can respond to environmental issues</p> <p>Points are described in detail</p>	<p>2 marks</p> <p>Good application of how vehicle manufacturers have or could respond to environmental issues</p> <p>The candidate makes effective use of the data in the case study</p>	<p>2 marks</p> <p>Good analysis of how vehicle manufacturers have or could respond to environmental issues</p> <p>The analysis is developed with good lines of reasoning</p>
1	<p>1 mark</p> <p>Limited understanding of how businesses can respond to environmental issues</p> <p>Points are brief and may be listed</p>	<p>1 mark</p> <p>Limited application of how vehicle manufacturers have or could respond to environmental issues</p> <p>The candidate response is mainly theoretical with limited use of examples from the automotive industry and/or the case study</p> <p>Repetition of the data in the case study</p>	<p>1 mark</p> <p>Limited analysis of how vehicle manufacturers have or could respond to environmental issues</p> <p>Points raised have little development and may be descriptive</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis</p>

Indicative content:

Issues include climate change, water and noise pollution, congestion, destruction of the environment and waste disposal. Many businesses now undertake the control of their environmental impact without the need for external pressure.

One way to respond to environmental issues is to produce and publish environmental audits, which measure their impact on the environment and set out plans for improvement. For example, Ford has invested huge sums of capital into designing new engines with ECOnetic technology with the aim of reducing carbon emissions. Vehicle manufacturers are now going further to develop hybrid and fully electric vehicles, using alternative energy sources. This may be to respond to government targets, but it will help to reduce the impact on the environment.

Many businesses are now reducing, re-using and/or recycling waste products. An example of reducing waste is the use of lean production methods. Toyota introduced this process, and all vehicle manufacturers will aim to reduce waste in the manufacturing process. This process will help to minimise the amount of waste products used in manufacturing, which will help with resources becoming scarce but also reduce the pressure on landfill sites.

Many manufacturers are also finding other uses for waste products but if there is no use, then large amounts of money are being spent on effective recycling systems.

Businesses are using aluminium resources within the production of vehicles which reduces the amount of fuel used and therefore benefits the environment through lower levels of pollution.

Credit any other line of reasoning.

1 (c) Using both qualitative and quantitative data, evaluate Ford's plan to launch 15 models of electric vehicles in China by 2025. [12]				
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	4 marks	4 marks
3			<p>4 marks Excellent analysis of Fords plan to launch products in China by 2025</p> <p>The analysis will be balanced with well-developed lines of reasoning</p>	<p>4 marks An excellent evaluation of Fords plan to launch products in China by 2025</p> <p>The evaluation is balanced and will focus on the key issues</p> <p>Clear reference to the case study and context to support their argument</p> <p>Relevant judgements are made with qualifying statements</p>
2	<p>2 marks Good understanding of Fords plan to launch products in China by 2025</p>	<p>2 marks Good application to Ford</p> <p>The learner makes effective use of both qualitative and quantitative data throughout their answer</p>	<p>2-3 marks Good analysis of Fords plan to launch products in China by 2025</p> <p>The analysis may be unbalanced but detailed or balanced with partially developed lines of reasoning</p>	<p>2-3 marks A good evaluation of Fords plan to launch products in China by 2025</p> <p>The evaluation will include some of the key issues</p> <p>The learner makes partial judgements, with some attempt to support their evaluation</p>
1	<p>1 mark Limited understanding of Fords plan to launch products in China by 2025</p>	<p>1 mark Limited application to Ford</p> <p>The learner response is mainly theoretical with limited qualitative and/or quantitative data</p>	<p>1 mark Limited analysis of Fords plan to launch products in China by 2025</p> <p>Superficial discussion</p>	<p>1 mark Limited evaluation of Fords plan to launch products in China by 2025</p> <p>Statements may be brief or mainly theoretical</p> <p>Unsupported judgements are made</p>
0	<p>0 marks No valid understanding</p>	<p>0 marks No valid application</p> <p>The learner makes no use of the data in the case study</p>	<p>0 marks No valid analysis</p>	<p>0 marks No valid evaluation</p>

Indicative content:

Arguments in favour of launching EVs in new markets:

- Ford will benefit from spreading risk because it would appear as though the UK market for vehicles has become saturated with a lot of competition. **Figure 1** suggests that the UK market may be stagnating or shrinking with the sales of all but Toyota decreasing considerably and the total number of car sales falling by 7.53%. This is likely to have a negative impact on sales revenue and profitability for Ford. **Therefore**, focussing on a new market with a new product may be an effective growth strategy for Ford. **In addition**, Ford will also be widening their product portfolio to meet the needs and wants of different market segments. This allows them to access more customers to generate higher sales revenue but it also helps to spread risk in terms of selling a wide range of goods.
- **Figure 2** illustrates that China is the fastest growing market for EVs in the first three months of 2018 when compared to 2017. Sales grew by 154%, which suggests it is a growing market rather than a shrinking market. This is beneficial as there are customers to be gained and demonstrates that the market may not be saturated by competitors.

Arguments against launching EVs in new markets:

- A change in strategy would require effective change management. For example, staff may need retraining to develop new skills to produce new EVs for the Chinese market or the recruitment of specialist staff. This may cause some resistance to change from staff with morale falling which may impact negatively on quality and productivity.
- It will be costly. Ford are increasing the investment to £8.5billion, which is a significant amount of capital that may be better utilised elsewhere. For example, they could focus on their core products which include models with the already environmentally friendly EOnetic technology. **Figure 1** illustrates a significant fall in market share when compared to 3 of the big five vehicle manufacturers. Ford may be better off trying to improve the strength of the brand in the UK. It may be that Ford have lost focus on their domestic market within the UK and quality improvement or innovation of new products in the UK may be required. **Therefore**, the capital may be better spent elsewhere.
- The Chinese market is dominated by Chinese firms with 96% of all EVs sold by Chinese manufacturers. These firms have knowledge of the market and are likely to have loyal customers. Despite being a large multinational company, it will be very difficult for Ford to enter this market and persuade customers to switch from Chinese brands.
- Ford are currently struggling in the Chinese market with diesel and petrol cars, ranked 21st of branded manufacturers. Therefore, the brand is relatively weak which will make it even more difficult when they introduce a new product into the same market.
- The new strategy may cause a fall in short term profits because capital is being invested rather than retained or distributed to shareholders. Therefore, shareholders may be in conflict with this strategy especially if they are short-termists.

To conclude, if the growth strategy is managed correctly then it may be worthwhile. With new legislation regarding the environment and emissions, developing and selling EVs seems to be a worthy strategy.

Credit any other valid point.

1 (d)	“Multinational car manufacturers only have a positive impact on the UK”. To what extent do you agree with this statement? [12]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	6 marks
3				<p>5-6 marks</p> <p>An excellent well-balanced evaluation of the impact of multinational car manufacturers on the UK</p> <p>The evaluation will focus on the key issues</p> <p>Clear reference to the case study and context to support their argument</p> <p>Relevant judgements are made with qualifying statements</p>
2	<p>2 marks</p> <p>Good knowledge and understanding of the impact of multinational car manufacturers on the UK</p>	<p>2 marks</p> <p>Good application to multinational car manufacturers and the UK</p> <p>The learner makes effective use of the data throughout their answer</p>	<p>2 marks</p> <p>Good analysis of the impact of multinational car manufacturers on the UK</p> <p>The analysis may be unbalanced but detailed or balanced with partially developed lines of reasoning</p>	<p>3-4 marks</p> <p>A good evaluation of the impact of multinational car manufacturers on the UK</p> <p>The evaluation will include some of the key issues</p> <p>The learner makes partial judgements, with some attempt to support their evaluation</p>
1	<p>1 mark</p> <p>Limited knowledge and understanding of the impact of multinational car manufacturers on the UK</p>	<p>1 mark</p> <p>Limited application to multinational car manufacturers or the UK</p> <p>The learner response is mainly theoretical with limited use of examples from the case study</p>	<p>1 mark</p> <p>Limited analysis of the impact of multinational car manufacturers on the UK</p> <p>Superficial analysis</p>	<p>1-2 marks</p> <p>Limited evaluation of the impact of multinational car manufacturers on the UK</p> <p>Statements may be brief or mainly theoretical</p> <p>Unsupported judgements are made</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

Multinationals are businesses operating in a number of countries, whether extracting resources, manufacturing, retailing or a combination of these activities. There is a large number of foreign-owned multinational car companies manufacturing in the UK, including Toyota and Ford.

Advantages of having multinationals based in the UK:

- Multinational companies provide employment and create better living standards for local communities. For example, there are 700 000 people employed in the car industry within the UK. These will all be earning at least the living wage and will be boosting their local economies by spending in businesses within the area.
- Investment by multinationals also lead to infrastructure developments that improve transport links, communication links and help to develop economies across the UK.
- Multinationals such as Ford and Toyota pay taxes to the government, including corporation tax and business rates which are then used to improve public sector services and provide capital that the government can use to encourage further inward investment.
- Introduce new technology and working methods.
- Consumers who have greater choice and much cheaper goods.
- Increased competition also improves quality.
- Increased growth in the UK economy (4% GDP) – multiplier effect

Potential disadvantages of multinational companies operating in the UK:

- Multinational companies can severely impact on local industries because they increase competition in the economy.
- They can cause both small and large British businesses to go out of the business, leading to increased unemployment – Due to Brexit lots of multinationals including Ford have threatened to cease production in the UK which will cost 1 000s of jobs.
- Multinationals have been accused of destroying local culture. Having recognisable 'superbrands' will inevitably lead to a loss of localised products and a shift in habits.
- They may have negative environmental impacts, such as pollution, noise, congestion and destruction of the environment – this is particular problem with car manufacturers.

From the UK's point of view, it needs investment from multinationals to help drive growth and create jobs. In fact, the UK has received more investment from multinationals over the last 30 years than Germany, France and Italy combined, thus creating thousands of jobs and reinvigorating domestic supply chains. Whether such investment will continue, following the UK's decision to leave the EU remains to be seen.

Credit any other valid argument.

1 (e)	Consider the potential impact of economic, legal and technological factors on car manufacturers and their customers.				[14]
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	4 marks	6 marks	
3			<p>4 marks</p> <p>An excellent analysis of the impact of economic, legal and technological factors on car manufacturers and their customers</p> <p>The analysis is well-balanced with detailed and developed lines of reasoning</p>	<p>5-6 marks</p> <p>An excellent well-balanced evaluation of the impact of economic, legal and technological factors on car manufacturers and their customers</p> <p>The evaluation will focus on the key issues</p> <p>Clear reference to the case study and context to support their argument</p> <p>Relevant judgements are made with qualifying statements</p>	
2	<p>2 marks</p> <p>Good understanding of the impact of economic, legal and technological factors on car manufacturers and their customers</p> <p>Good understanding of the impact of at least two factors on manufacturers and their customers</p>	<p>2 marks</p> <p>Good application to car manufacturers and their customers.</p> <p>The learner makes effective use of the data throughout their answer</p> <p>Good application of the impact of at least two factors on manufacturers and their customers</p>	<p>2-3 marks</p> <p>Good analysis of the impact of economic, legal and technological factors on car manufacturers and/or their customers</p> <p>The analysis may be unbalanced with well-developed lines of reasoning or balanced with partially developed points</p> <p>Good analysis of the impact of at least two factors on manufacturers and/or customers</p>	<p>3-4 marks</p> <p>A good evaluation of the impact of economic, legal and/or technological factors on car manufacturers and/or customers</p> <p>The evaluation will include some of the key issues</p> <p>The learner makes partial judgements, with some attempt to support their evaluation</p> <p>Good evaluation of the impact of at least two factors on manufacturers and/or customers</p>	
1	<p>1 mark</p> <p>Limited understanding of the impact of economic and/or legal and/or technological factors on car manufacturers and/or their customers</p>	<p>1 mark</p> <p>Limited application to car manufacturers and/or their customer</p> <p>The learner response is mainly theoretical with limited use of the case study</p>	<p>1 mark</p> <p>Limited analysis of the impact of economic and/or legal and/or technological factors on car manufacturers and/or their customers</p> <p>Superficial analysis</p>	<p>1-2 marks</p> <p>Limited evaluation of the impact of economic and/or legal and/or technological factors on car manufacturers and/or their customers</p> <p>Statements may be brief or mainly theoretical</p> <p>Unsupported judgements are made</p>	
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>	

Indicative content:

The new emissions legislation, potential economic changes and technological changes facing car manufacturers could have both positive and negative implications.

Economic factors

- **Interest Rates** - If economic expert forecasts become a reality, the cost of borrowing will increase significantly, which may have a major impact on car manufacturers. Those reliant on borrowed money may see huge increases in costs of paying back loans with excessive interest payments. This reduces profits or capital to be invested elsewhere and could even lead to business closing down. **However**, those less reliant on borrowed money may gain a competitive advantage with lower costs. **Secondly**, with high interest rates businesses may find it difficult to gain capital to help invest in new products such as EVs and automated vehicles.
- High interest rates will also impact on **customers** who may now have less disposable income if they have loans. Therefore, they may refrain from purchasing luxury goods such as cars. Customers may also choose to save money rather than spend.
- **Inflation** – If inflation rises then this will increase costs of production, which leads to car manufacturers either making less profit or increasing price. Either way, this may have negative consequences for UK based car manufacturers trying to compete on a global scale. Secondly, high inflation affects **customers** who may see real incomes falling which can affect consumer confidence. This can lead to lower sales for car manufacturers.
- **Increasing Unemployment** – Those unemployed lack the financial means to invest in luxury products which will impact further on the sales of cars in the UK.
- **Impact of leaving the EU such as removal of free trade and potential Tariffs – increasing business costs – resulting in a problem with competitiveness e.g., prices may need to increase or loss of profit.**
- **Accept impact of taxation/subsidies/exchange rate fluctuations if relevant.**

Legal factors

- The new legislation (Euro 6 Engines) is ensuring that car manufacturers are more ethical and environmentally friendly in both the process of producing vehicles and in terms of the products they design. For example, from 2015 the Euro 6 Engines legislation made it compulsory for all engines built to have limited emissions. This helps car manufacturers such as Ford achieve their CSR objectives demonstrating success. **Additionally**, this leads to a positive public image because helping the environment which can help attract a customer base and increase sales revenue. **Additionally**, as market share is an issue for 4 of the 5 main car manufacturers, improving public image may enable them to increase their market share. **However**, the increased sales revenue will be met with increased costs which may lead to a reduction in profits. **Therefore**, this could prevent further investment in production processes and research development which could hinder competitiveness.
- Those car manufacturers that abide by legislation will gain a competitive advantage over rivals that may not. For example, competitors of Volkswagen achieved this when they were therefore breaking the law. **However**, if a car manufacturer fails to abide by the law then this can massively increase costs, diminishing profitability. This will also negatively affect the reputation of a company.
- Legislation such as environmental and employment laws make it a fairer market in which to compete. All businesses need to comply with the same laws and will have the same costs. For example, they all need to pay the Minimum Wage or abide by the Working Time Directive. **However**, for those car manufacturers that are located in other countries but export cars to the UK and rest of the world, then they will have a competitive advantage over UK based manufacturers such as Ford and Toyota. **Therefore**, they may have lower costs and improved profitability due to a cost advantage.
- Accept discussion around the banning of diesel/petrol engines from 2030 e.g., loss of sales, profits, investment in EVs.

Technological factors

- **Automation in Production** – the use of machines and robotics is benefiting car manufacturers by eliminating waste to reduce the cost of production but also improving efficiency. However, the initial cost is expensive, and machines need to be maintained and updated regularly.
- **Technology is changing at a fast pace with Connected Autonomous Vehicles (Self Drivable Cars)** – this creates opportunities for manufacturers to develop new products in new markets but there is opportunity for increased competition. This also benefits **customers** with greater choice in terms of product range.

Other arguments linked to customers:

- **Customers** – presently, the price of EVs are extremely expensive and only available to those with higher levels of income, **therefore** reducing choice. **Additionally**, the current road tax system is punishing those that drive diesel vehicles. **However**, customers now have more choice with regards to engine type with diesel, petrol, part electric and fully electric vehicles as well as automation e.g., stop start technology.

Credit any other valid line of argument

2 (a)	Describe how Lewin's three step process could be used to help remove resistance to change when two competing businesses merge.		[10]
Band	AO1	AO2	
	6 marks	4 marks	
3	5-6 marks		
	Excellent understanding of Lewin's three step process with an excellent description of each step		
2	3-4 marks	3-4 marks	
	Good understanding of Lewin's three step process with a good description of at least 2 of the steps in the process or an attempt to describe 3 of the steps in the process.	Good application of how each of Lewin's three steps can be used to manage change during a merger The candidate uses relevant examples of barriers to change to develop and support their argument	
1	1-2 marks	1-2 marks	
	Limited understanding of Lewin's three step process	Limited application of how Lewin's three steps can be used to manage change during a merger The candidate response is mainly theoretical with the inclusion of some reference to barriers to change.	
0	0 marks	0 marks	
	No valid understanding	No valid application	

Indicative content:

As a result of an acquisition or takeover staff are likely to experience great change in relation to different processes, working practices, management styles and culture of the organisation. For example, if Tesco took over Asda then the staff would need to retrain in order to adapt to the different processes and management styles. However, there may be resistance from staff who do not want more training or cannot adapt to a different approach to leadership e.g. from democratic to autocratic.

Lewin recognised that it was not the difficulty of creating change, but of re-enforcing the change that really mattered. He was concerned with ensuring that the change continued into the future and that workers did not slip back into old methods of working. Lewin saw three stages of creating and maintaining change:

1. Unfreezing - This involves creating a motivation for change. Creating a realisation amongst employees that change is necessary. They therefore have to 'unfreeze' from current approaches to work and be prepared to adapt to a new method of working that may be introduced as a result of a takeover. Employees have to be shown that the change is necessary and then managers need to create a situation in which employees desire the change.
2. Change or Transition - Lewin described the period of transition as a potentially difficult time as workers are now moving toward a new way of doing things. They are learning about the changes and need to be given time to understand and adapt to these changes. Support from management and supervisors is important in making the transition period work. Support can come in the form of training, education, and learning from, and not being criticised for mistakes. Allowing workers to develop their own solutions and maintaining clear communication of the objectives and benefits of the change are also important in maintaining the transition.
3. Refreezing - This final stage in the change process is about establishing stability once the changes have been made. Workers have now accepted the change, and the new methods of working have become the new norm. Workers are settled in new structures, methods of communication and are comfortable with their routines. This refreezing clearly implies workers must not be forced into continual change, but allowed time to adapt. New methods need to become completely ingrained before further change occurs, otherwise any gains may be lost.

Credit any other valid point

2 (b)	“Businesses that do not manage change effectively are likely to fail”. Discuss. [20]		
Band	AO1	AO3	AO4
	4 marks	8 marks	8 marks
3		<p>6-8 marks</p> <p>Excellent analysis of the causes of change and the importance of managing or adapting to these changes as well as other factors that may impact on success</p> <p>The key issues for both sides of the debate are analysed in detail</p> <p>The analysis will be well balanced, well developed and with a clear line of reasoning</p>	<p>6-8 marks</p> <p>Excellent evaluation of the importance of managing or adapting to the causes of change as well as other factors that may impact on success</p> <p>The evaluation is balanced and detailed and will focus on the key issues</p> <p>The evaluation provides a broad range of arguments on both sides of the debate</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
2	<p>3-4 marks</p> <p>Good understanding of the causes of change and the importance of managing or adapting to change as well as other factors that may impact on success</p> <p>Clear understanding of the importance of adapting to or managing a range of causes of change as well as other factors that may impact on success</p>	<p>3-5 marks</p> <p>Good analysis of the causes of change and the importance of managing or adapting to these changes as well as other factors that may impact on success.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p>3-5 marks</p> <p>Good evaluation of the importance of managing or adapting to the causes of change as well as other factors that may impact on success</p> <p>The evaluation will include most of the key issues and may be unbalanced</p> <p>Judgments are made with some attempt to support statements and build arguments</p> <p>A brief conclusion may be offered</p>
1	<p>1-2 marks</p> <p>Limited understanding of the causes of change and/or the importance of managing and/or adapting to change and/or other factors that may impact on success</p> <p>The learner identifies some of the key issues related to the causes of change and/or one other factor that may impact on success</p>	<p>1-2 marks</p> <p>Limited analysis of the causes of change and/or the importance of managing and/or adapting to these changes and/or other factors that may impact on success</p> <p>A limited number of issues are analysed</p> <p>The analysis may focus on one side of the argument</p>	<p>1-2 marks</p> <p>Limited evaluation of the importance of managing and/or adapting to the causes of change and/or other factors that may impact on success</p> <p>The evaluation will include some of the key issues but with limited development</p> <p>Judgements are superficial and unsupported</p> <p>Evaluation will be uneven and focus on one side of the argument</p> <p>Evaluation tends to be asserted rather than explained</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

The world is changing rapidly due to various changes including - changes in technology, changes in consumer tastes, changes in legislation, changes in the workforce and the impact of increased competition and globalisation. These changes can have serious implications for a business's survival and success. The world is changing rapidly.

Arguments in favour:

- Responding to these changes is a challenge for any business and needs to be done carefully. For instance, introducing new technology can be vital to a business's survival but if it is not done well it can cause a great deal of disruption and be expensive and ultimately not produce the desired results.
- One of the main problems in introducing change is resistance from the workforce, from customers and suppliers and sometimes from the owners of the business. For this reason, it is sometimes helpful to use Lewin's three step process. This involves introducing an innovation with appropriate information to explain the need for change; overcoming resistance through group discussion and finally, establishing a new, agreed, practice that everyone is happy to work with.
- Unless change is managed, all kinds of problems can ensue. E.g., workers may take industrial action; customers may not be happy with the changes, for instance as with the introduction of self-service tills in some supermarkets; suppliers may find it difficult to meet the conditions of just-in-time deliveries. All of these things will result in problems for the business, whereas, if the change had been introduced better there would have been less resistance and fewer problems.
- It is important that the business knows its employees and whether change management should be discussed with them or implemented quickly. The wrong approach could cause more staff resistance, while the right approach may motivate.

External factors:

Political change

- Brexit is likely to impact negatively on a variety of businesses including manufacturers and retailers who import, export or do both from the EU, with the possible introduction of protectionist measures such as tariffs and quotas. A response to this may be to have alternative sites for manufacturing to enable large businesses to relocate to avoid extra costs. **However**, SME's who operate on a national scale may not have this luxury and would therefore need to have other risk management strategies to help them overcome increased costs, for example, sourcing from local suppliers. If there is no strategy, then the business may lack competitiveness in terms of costs.
- The introduction of new legislation such as the Living Wage or increasing the Living Wage is another external change that could impact negatively on many businesses particularly micro and small businesses who may struggle to finance the increased wages. However, this could be managed with careful planning and cost savings elsewhere within the business. **Nevertheless**, larger firms are more capable of absorbing extra employment costs.
- Taxation could increase in relation to corporation tax, VAT, fuel duty. This is likely to impact on all businesses but particularly large national or multinational businesses that have high transportation costs, produce and distribute vast amounts of goods and who may have large profits. **However**, micro and small businesses may not be impacted by these costs as such because they may be sole traders or partnerships and pay no corporation tax and produce and sell on such a small scale often in local areas.

Economic change

- Changes in interest rates can impact on all business with increased costs of borrowed money affecting the working capital of businesses. Highly geared companies may need to look at reducing their borrowings. It may also restrict growth for medium to large businesses because there will be less capital available to fund the growth. **However**, smaller businesses may again be better positioned to manage high interest rates because they may not be as highly geared as larger business but for all businesses, it may depend on the type of goods on sale. It is highly likely that high interest rates will negatively affect the disposable income of customers. Therefore, those businesses selling luxury goods and services may need to alter their portfolio to sell lower value goods and services to attract customers with lower disposable income.
- Inflation can cause all businesses a problem but it may be more challenging for manufacturers who require raw materials. Nevertheless, some businesses will have alternative suppliers to overcome this or simply have buyer power and can negotiate lower prices. Some businesses may not be impacted by inflation particularly if their goods and services are price inelastic because they could pass on increased costs to the consumer, with demand not being affected too much.

Social change

- As society changes consumer requirements change and this calls for new methods of marketing. Businesses need to produce new products to meet these new requirements. There is plenty of evidence that businesses that bring out innovative products that are adapted to changes in social factors achieve success. Examples include:
 - Apple that has constantly brought out new products that appeal to consumers' preferences and lifestyle.
 - McDonalds withdrawal of plastic straws due to consumer preferences concerning the environment.
 - Supermarkets withdrawing unhealthy snacks from checkouts.
 - The growth of music concerts and festivals due to culture and lifestyle changes towards live music and digital downloads.
- The massive increase in shopping via the internet means that businesses that have been slow to offer this service to consumers have lost market share, with a number of retailers closing down due to a loss of sales on the high street and poor web based platforms. **However**, this is likely to have limited impact on small businesses such as retailers within local communities or towns, who simply serve niche markets.

On the other hand, not every business needs to change, such as Coca Cola's decision not to change its formula due to the introduction of the sugar tax and sugar consumer concerns (asset-led marketing) in comparison to Irn-Bru who have.

Internal factors:

- Internal change can also impact upon a business such as change of leadership, ownership, strategy and or technology. One of **the main problems** in introducing change is resistance from the workforce, from customers and suppliers and sometimes from the owners of the business. Unless change is managed, all kinds of problems can ensue. E.g., workers may take industrial action; customers may not be happy with the changes, for instance as with the introduction of self-service tills in some supermarkets; suppliers may find it difficult to meet the conditions of just-in-time deliveries. All of these things will result in problems for the business, whereas, if the change had been introduced better there would have been less resistance and fewer problems.

Other Arguments:

- The importance of managing change can be exaggerated – most changes are small and will take place without a great deal of management. There is therefore no need to consult with the workforce or customers.
- Not all businesses are subject to constant change. Some businesses are able to survive and prosper whilst carrying on with their traditional methods of operation.

In certain circumstances, the statement is literally true, however, for many businesses the key to success will lie in meeting their customers' expectations.

Credit any other line of argument.

3 (a)	Describe how the aims of the NHS as a public sector organisation differs from the aims of BUPA, a private sector healthcare business. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	5-6 marks Excellent understanding of the aims of public sector organisations and private sector organisations	
2	3-4 marks Good understanding of the aims of public sector organisations and/or private sector organisations	3-4 marks Good application of the aims of public sector to the NHS and BUPA The candidate clearly identifies examples of aims and objectives of the NHS when compared to BUPA
1	1-2 marks Limited understanding of the aims of public sector organisations and/or private sector organisations	1-2 marks Limited application of the aims of public sector to the NHS and/or BUPA The candidate response is mainly theoretical with the inclusion of some reference to examples from the NHS and/or BUPA
0	0 marks No valid understanding	0 marks No valid application

Indicative content:

- An aim is where the business wants to go in the future, its goals. It is a statement of purpose.
- In the private sector, businesses are operated and owned by private individuals and companies. Private sector businesses are generally run “for profit” – to earn returns for the business owners. Private sector aims include:
 - *Survival (NHS don't need to focus on this because they are government funded)*
 - *Growth (NHS don't seek to grow in order to dominate the market whereas BUPA would want to dominate the private sector and gain monopoly power)*
 - *Profit maximisation*
 - *Sales maximisation*
 - *Diversification*
 - *Creation of brand loyalty*
 - *Social objectives (NHS provider healthcare for all)*
- BUPA provide healthcare for those that can afford to pay for it. Therefore, profit maximisation will be a key aims for the business. Customers will often pay a monthly fee to access BUPA healthcare for them and their families or pay one-off payments for treatment in order to get better quality and quicker service.
- A public sector organisation is an organisation owned/run by the government that is unlikely to be run with a profit maximising objective. Public sector aims include:
 - To provide quality service
 - To provide value for money
 - To meet customer needs e.g. healthcare

- The NHS is committed to providing best value for taxpayers' money and the most effective, fair and sustainable use of finite resources - The aim is to provide healthcare for all in need and it is free at the point of delivery.
- Both BUPA and NHS would want to improve the quality of their service to the public. Whilst the NHS would pursue this to achieve government targets such as waiting times in A&E or appointment waiting times. Whereas BUPA would pursue this to improve its reputation and attract more customers as well as generating customer loyalty. This will allow them to increase sales to maximise profits.
- Both organisations provide merit goods but if they were only provided by BUPA then they would be under consumed and not available to all.

Credit any other valid point.

3 (b)	<p>“Private sector businesses are able to provide consumers with everything they require. There is very little need for government involvement in business”. To what extent do you agree with this statement? [20]</p>		
Band	AO1	AO3	AO4
	4 marks	8 marks	8 marks
3		<p>6-8 marks</p> <p>The learner gives an excellent analysis of the importance of the government and private sector businesses</p> <p>The key issues for both sides of the debate are discussed in detail</p> <p>The analysis will be well balanced, well developed and with a clear line of argument</p>	<p>6-8 marks</p> <p>The learner presents an excellent level of evaluation outlining the importance of the government and private sector businesses</p> <p>The evaluation is balanced and detailed and will focus on the key issues</p> <p>The evaluation provides a broad range of arguments on both sides of the debate</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
2	<p>3-4 marks</p> <p>The learner shows good understanding of the importance of the government and private sector businesses</p>	<p>3-5 marks</p> <p>The learner gives a good level of analysis of the importance of the government and/or private sector businesses</p> <p>A number of key issues are analysed</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited</p>	<p>3-5 marks</p> <p>The learner presents a good level of evaluation outlining the importance of the government and/or private sector businesses</p> <p>The evaluation will include most of the key issues</p> <p>Judgments are made with some attempt to support statements and build arguments</p> <p>A brief conclusion will be offered</p>

1	1-2 marks The learner shows limited understanding of importance of the government and/or private sector businesses.	1-2 marks The learner gives a limited analysis of the importance of the government and/or private sector businesses. A limited number of issues are analysed The analysis may focus on one side of the argument	1-2 marks The learner presents a limited evaluation outlining the importance of the government and/or private sector businesses. The evaluation will include some of the key issues but with limited development Judgements are superficial and unsupported Evaluation will be uneven and focus on one side of the argument Evaluation tends to be asserted rather than explained
0	0 marks No valid understanding	0 marks No valid analysis	0 marks No valid evaluation

Indicative content:

Arguments against statement/arguments for government involvement:

- Mention of the role of the state in providing public goods, which, because they are non-consumable and the exclusion principle does not apply, cannot be provided by the private sector, e.g., street lighting and lighthouses.
- Merit goods which the market would not produce in sufficient quantities or at a price that many people could afford, e.g., health and education, also such things as refuse disposal and the building of roads, all of which are most efficiently paid for from taxation revenues.
- Some demerit goods need to be discouraged which requires the government to intervene in the economy, either to ban products or to make them more expensive through the use of excise duties.
- Involvement to achieve a more equitable distribution of income e.g. via taxation and state benefits.
- Setting minimum wages to help ensure people achieve a minimum standard of living.
- Some industries are natural monopolies, e.g. railways and water supply and they benefit from economies of scale, which can be passed onto the consumer. These industries need either to be provided by or regulated by the government. Wherever there is a degree of monopoly power, private industries need to be regulated in order to protect consumers.
- Consumers also need protection against other unfair or illegal practices, e.g., weights and measures, health and safety, etc.
- Macroeconomic arguments – involvement to achieve macroeconomic objectives

Arguments for statement/arguments against government involvement:

- State run industries tend to be inefficient as they are not driven by the profit motive.
- Private companies respond to consumer demand, since, by giving people what they want the businesses are likely to increase their profits.
- State run enterprises tend to be product orientated and limit consumer choice.
- The less government involvement the more the market is free to work and decisions about what to produce for whom and in what quantities is left to market forces.
- Often there is under-investment in state run industries.
- There may be political interference which can affect the efficient running of the businesses.

Generally speaking, most commentators believe that the private sector is more efficient at producing goods and services, other than merit and public goods, but that it needs to be regulated in order to protect consumers, especially where there is a risk of monopoly power.

Credit any other valid point.

4 (a)	Describe how McGregor's theory X and theory Y could be applied by the management of a business that designs and manufactures fashionable clothing.		[10]
Band	A01	A02	
	6 marks	4 marks	
3	5-6 marks		
	Excellent understanding of McGregor's theory X and theory Y The candidate illustrates excellent knowledge of how managers could use the theory		
2	3-4 marks	3-4 marks	
	Good understanding of McGregor's theory X and/or theory Y The candidate illustrates good knowledge of how managers could use the theory	Good application of how management could apply the theory within the fashion industry The candidate clearly identifies examples of how it could be applied to the design and manufacturing of fashionable clothing	
1	1-2 marks	1-2 marks	
	Limited understanding of McGregor's theory X and/or theory Y The candidate illustrates limited knowledge of how managers could use the theory	Limited application of how management could apply the theory within the fashion industry The candidate response is mainly theoretical with the inclusion of some examples of how it could be applied to either the design or manufacturing of fashionable clothing	
0	0 marks	0 marks	
	No valid understanding	No valid application	

Indicative content:

Douglas McGregor put forward the idea that there are two broad types of manager – Theory X managers and Theory Y managers. The Theory X type of manager makes several assumptions about employees:

- workers must be supervised or quality and quantity of output will fall
- workers only respect the type of manager that tells them what to do and does so with complete authority
- money is the only motivator
- workers do not want to be involved in the decision-making process
- workers have little ambition.

It is likely that within manufacturing of clothing, Theory X management may be adopted to ensure that quality and quantity is sustainable and often financial motivators are used including piece rate pay to encourage workers to produce efficiently.

Theory Y managers believe that the reverse is true. They start with several positive assumptions about employees:

- workers cannot be motivated by money alone – they seek more than financial satisfaction from their jobs
- workers are ambitious, willing to train and contribute to improve their chances of promotion
- workers will be more efficient if they are left to their own devices – trust breeds responsibility
- workers want to contribute to improving efficiency – they want to be seen, be noticed, rewarded and appreciated when they work well.

It is likely that the designers of clothing will be managed using the Theory Y approach because they can be trusted, are highly skilled and can make their own decisions. These workers have been and are willing to undertake further training to become the best in their field and seek promotion and satisfaction from their work.

Credit any other valid point.

4 (b)	“Investing money into advertising and promotion is often a waste of resources, whereas money invested into the workforce is always likely to be more beneficial to a business.” Discuss. [20]		
Band	AO1	AO3	AO4
	4 marks	8 marks	8 marks
3		<p>6-8 marks</p> <p>Excellent analysis of the impact of investing in promotion and investment in the workforce</p> <p>The analysis will be well balanced, well developed and with a clear line of reasoning</p>	<p>6-8 marks</p> <p>Excellent evaluation of the impact of investing in promotion and investment in the workforce</p> <p>The evaluation is balanced and detailed and will focus on the key issues</p> <p>The evaluation provides a broad range of arguments on both sides of the debate</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
2	<p>3-4 marks</p> <p>Good understanding of the impact of investing in promotion and investment in the workforce</p>	<p>3-5 marks</p> <p>Good analysis of the impact of investing in promotion and/or investment in the workforce</p> <p>A number of key issues are analysed</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited</p>	<p>3-5 marks</p> <p>Good evaluation of the impact of investing in promotion and/or investment in the workforce</p> <p>The evaluation will include most of the key issues and may be unbalanced</p> <p>Judgments are made with some attempt to support statements and build arguments</p> <p>A brief conclusion may be offered</p>
1	<p>1-2 marks</p> <p>Limited understanding of the impact of investing in promotion and/or investment in the workforce</p>	<p>1-2 marks</p> <p>Limited analysis of the impact of investing in promotion and/or investment in the workforce</p> <p>A limited number of issues are analysed</p> <p>The analysis may focus on one side of the argument</p>	<p>1-2 marks</p> <p>Limited evaluation of the impact of investing in promotion and/or investment in the workforce</p> <p>The evaluation will include some of the key issues but with limited development</p> <p>Judgements are superficial and unsupported</p> <p>Evaluation will be uneven and focus on one side of the argument</p> <p>Evaluation tends to be asserted rather than explained</p>
0	<p>0 marks</p> <p>No valid understanding</p>	<p>0 marks</p> <p>No valid analysis</p>	<p>0 marks</p> <p>No valid evaluation</p>

Indicative content:

Arguments in favour of advertising and promotion

- Promotion is one key element of the marketing mix because:
 - Promotion is important to ensure that customers are aware of the existence and positioning of products.
 - Promotion and advertising can help to inform customers about a business and or products for sale.
 - Promotion can persuade customers to purchase a business's product over rival business – this leads to the achievement of aims and objectives linked to growth, increasing sales revenue, improved reputation and increasing market share.
- Medium to large businesses tend to use a range of promotions to achieve the objectives of promotion which include above the line methods and using the media
 - Credit analysis and evaluation of various promotional methods such as TV, radio, digital etc.

Arguments against advertising and promotion

- Often, it is one-way communication which is not always effective as effective communication should be a two-way process – limited scope to have personal touch or ability to close a sale.
- It can be expensive for certain types of promotion, particularly using the media and can be difficult to target the right audience – leading to a waste of resources.
- Only one element of the marketing mix and product, price and place are also vital elements in order to close the sale of a product or services
 - Credit analysis and evaluation of other important elements of the marketing mix.

Arguments in favour of spending on the workforce

- For most businesses workers play a key role in their success especially when the worker is required to think for him or herself
 - In dealing with customer's, workers can, in giving good customer service, increase sales and help to retain valuable customers.
 - In production, workers are key to achieving consistent quality outputs. If workers are engaged in their work, they are likely to increase output as well.
 - In research and development, workers are vital in the production and development of new products
- Recruitment is important to ensure that a business has the correct staff in place with the right skills to complete important tasks that improve both the efficiency and effectiveness of a business e.g. marketing managers to make the correct decisions about methods of promotion.
 - Credit analysis and evaluation of recruitment e.g. benefits and drawbacks of types of recruitment.
- Appraisals and training are vital to identify skills and areas to develop in staff so that training can be put in place to improve the performance of staff.
 - Credit analysis and evaluation of appraisals and training methods.
- Invest in motivating staff either financial or non-financially.
 - Credit analysis and evaluation of motivational factors.

Arguments in against spending on the workforce

- It depends on the type of business. In some industries workers play a more important role than in others.
- Some jobs are routine and do not require high levels of skill or commitment by staff.
- If there are high levels of unemployment it should be relatively easy to replace staff.
- Some products more or less sell themselves, e.g., I-phones, the workers role is relatively unimportant.

Other arguments:

- Other resources can be important such as the role of operations and financial management and can have a larger impact on the success of the business.

Overall, businesses need to invest in both to be successful because both marketing and the workforce are important to achieve business objectives. It may be that small businesses require less investment than large businesses but both are still important to operate effectively.

Credit any other valid point.