



GCE

New Business

H431/03: The global business environment

Advanced GCE

Mark Scheme for June 2019

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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H431/03

Mark Scheme

June 2019

Annotations

BP	Blank page
	Tick
	Cross
NAQ	Not answered question
OFR	Own Figure Rule
BOD	Benefit of Doubt
REP	Repeat
SEEN	Noted but no credit given
TV	Too vague
	Unclear
K	Knowledge
APP	Application of knowledge and understanding
AN	Analysis
E	Evaluation
EE	Effective evaluation

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

[Questions 1, 2, 5(a-c) & 5(e) should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 3, 4, 5(d), 5(f) & 6.]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

Subject-specific Marking Instructions

INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:

A INDIVIDUAL ANSWERS

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

B TOTAL MARKS

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

Answer		Marks	Guidance
1	<p>1 mark for each correct way in which a change in technology might impact on a business, up to a maximum of 2 marks.</p> <p>1 further mark for each explanation of the impact, up to a maximum of 2 marks</p>	<p>4 (AO1 4)</p>	<p>Possible impact on:</p> <ul style="list-style-type: none"> • new products/designs • faster accounting practices • automated/faster production • distribution & sales via internet • increase in costs (short run) • increase in productivity • decrease in costs (long run) <p>There is NO context required.</p> <p>Exemplar response: A business may need to incorporate new technology into their product (1) to maintain their competitiveness (1).</p> <p style="text-align: right;">ARA</p>
2	<p>1 mark for correct reason</p> <p>1 mark for explanation of the reason linked to a crisis</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • To respond to scandals • To quickly respond to skills gap in workforce • To overcome actions of competitors • To avoid panic • To prevent loss of reputation <p>MUST be as a result of a crisis issue – i.e. unplanned</p> <p>There is NO context required.</p> <p>Exemplar responses: If a business faced poor media attention from a scandal then it would have to manage the attention (1). If it did not then it may face customers choosing to go to a competitor (1).</p> <p>To respond quickly if a competitor reduced their price (1) with no warning so they did not lose sales (1)</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
3	<p>Level 2 (6–4 marks) Candidate shows reasonable knowledge and understanding and good analysis of BMW's approach to workforce planning</p> <p>Level 1 (3-1 marks) Candidate shows limited knowledge and understanding with limited or no analysis of BMW's approach to workforce planning</p> <p>NB – award one mark for non–contextualised answer.</p> <p>0 marks no response or no response worthy of credit.</p>	<p>6 (AO1 1) (AO2 1) (AO3 4)</p>	<p>BMW's workforce plan at Dingolfing appears to be:</p> <ul style="list-style-type: none"> • Well planned/pragmatic/opportunistic • Has spotted a skills gap • Inclusive of older workers/motivational • Benefitting from acquired knowledge and skill – less training need and therefore cheaper • Reflects trends in society/responsive to trends • Detailed, such as slowing down production line, back supports etc. – not simply a publicity stunt. <p>Exemplar response: BMW's approach to workforce planning is pragmatic and intelligent. It has taken a situation where clearly it has a shortage (or soon will have) of skilled workers and taken a broader local at local/national trends with regards to demographics and skills. Its solution is a simple yet highly original workforce plan that keeps skilled workers from retirement. Saving training costs and other issues associated with younger workers (which do not exist anyway), BMW has ensured that its plant can maintain output (the priority) whilst doing some sort of 'social good', such is its forward-thinking approach to workforce planning.</p> <p style="text-align: right;">ARA</p>

4*	<p>Level 4 (20-16 marks) Candidate shows strong knowledge, understanding, analysis and evaluation of the importance of logistics to BMW <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (15–11 marks) Candidate shows good knowledge and understanding, analysis and evaluation of the importance of logistics to BMW <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (10-6 marks) Candidate shows reasonable knowledge and understanding, analysis and evaluation of the importance of logistics to BMW <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (5–1 marks) Candidate shows limited knowledge and understanding with limited or no analysis and evaluation of the importance of logistics to BMW <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>	<p>20 (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p>In the case of BMW its key issue is whether to produce locally or ship parts between countries. Ultimately, logistics is about speed & efficiency of supply, reliability, storage, anticipation.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Procurement of supplies • Production systems – where? How? When? • Warehousing – where? How much? What? • Transportation – how? To where? • Customer requirements • Information systems • Outsourcing as a solution • Subcontracting • Offshoring/reshoring <p>Exemplar response: Given the high level of demand around the world for BMW cars and the perception of total reliability and ‘class’, it is critical that BMW gets its product to the customer in the right quantity, condition and on time – wherever they happen to be. As such, the successful management of logistics at BMW will necessarily focus on the issue of where to produce. BMW has different car/motor bike plants in many different countries for a reason – a bulky product, it is cheaper to locate near the market, although it could be that expensively produced cars benefit more than other products from utilising cheaper local labour. Either way, it is crucial that the cars are assembled using the latest technology and logistical know-how. BMW outsources many of its components and offshores much of its production. The complexities of its worldwide logistics must be staggering as components move around the world to different assembly hubs for distribution to the market. This complexity necessitates sophisticated supply chains (and supplier relations), slick lean production systems and warehousing and transportation that is meticulously planned</p>
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				<p>so that it is efficient, cheap and reliable. The scope for breakdown and disruption must be immense and so it is incumbent on BMW's logistical management staff to ensure that only the best/latest systems are used in this respect. The customer of BMW expects it.</p> <p style="text-align: right;">ARA</p>
5	a	<p>2 marks for a correct answer – whether or not working is shown</p> <p>1 mark for an attempt to divide 0.2 by 3.55</p>	<p>2 (AO1 1) (AO2 1)</p>	<p>Formula: Market share = $\frac{\text{Firm's sales}}{\text{Total market sales}} \times 100$ (1)</p> <p>or implied through the correct use of figures:</p> $\frac{0.20}{3.55} \times 100$ (1) <p>= <u>5.6%</u> (1) - allow 6% as a correctly rounded answer</p> <p>Allow to additional decimal places if accurate</p>
5	bi	<p>3 marks for a correct answer – whether or not working is shown</p> <p>1 mark for correctly calculating extra revenue</p> <p>1 mark for correctly calculating the MC of order</p> <p>1 mark for subtracting MC from revenue (OFR)</p>	<p>3 (AO1 1) (AO2 2)</p>	<p>Formula: Contribution = Revenue/price – MC/VC (of order) (1)</p> <p>or implied through the correct use of figures:</p> <p>Revenue = 1,500 x €26 = €39,000 (1)</p> <p>MC of order = €2.53m/0.23m = €11 (1)</p> <p>€39,000 – (€11 x 1,500) (1)</p> <p>= <u>€22,500</u> (3)</p> <p>OFR</p>

5	bii	<p>Level 3 (10–7 marks) Candidate shows strong knowledge and understanding, analysis and evaluation of issues related to SLE accepting the order</p> <p>Level 2 (6–4 marks) Candidate shows reasonable knowledge and understanding, analysis and evaluation of issues related to SLE accepting the order</p> <p>Level 1 (3–1 marks) Candidate shows limited knowledge and understanding with limited or no analysis and evaluation of issues related to SLE accepting the order</p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>	<p>10 (AO1 2) (AO2 2) (AO3 3) (AO4 3)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Numerical analysis – €22,500 contribution (OFR) – is this much money? Does it cover any changes to indirect/fixed costs? Is it pure profit? • Compared to normal selling price is €26 worth it? Does it set a precedent? Does it send a bad marketing message? • What is SLE’s bargaining position to negotiate for more than €26? • What is the impact on current (full price) orders? Does SLE have the capacity (logistical/HR/operational)? • Is there a longer term angle whereby there are future orders? How likely is this? Could SLE cope? • SLE’s financial situation – is this important to cash flow? <p>Exemplar response: On the face of it a contribution of €22,500 for all of the effort of producing 1,500 leather seat covers does not seem worth it. This contribution, in the context of a firm generating €12.65m of revenue a year, is miniscule. Why bother? There are many reasons as to why they would accept the order – not least that it is BMW and, given SLE’s very obvious desire to supply BMW, it would do anything to show how good it is – even a tiny order of 1,500 seat covers. This could be the start of something much bigger. That said, SLE might try to negotiate and show that it is a high quality firm that cannot be dictated to by BMW – indeed BMW might respond to this as it does indeed only want firms who are of proven quality. Much depends on both firm’s relative bargaining position and how much SLE want BMW’s business (and how substitutable SLE are to BMW).</p> <p>ARA</p>
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5	c (i)	1 mark for correct answer	1 (AO2 1)	Buffer stock used in August & November Twice (or 2) (1)
5	c(ii)	1 mark for correct answer	1 (AO2 1)	Lead time = 1 month (1)
5	c(iii)	1 mark for correct answer	1 (AO2 1)	Stock sold $20,000+40,000+20,000+40,000+30,000 = \underline{\underline{150,000}}$ (1)
5	d	<p>Level 2 (6–4 marks) Candidate shows reasonable knowledge and understanding and good analysis of problems with SLE's stock control</p> <p>Level 1 (3–1 marks) Candidate shows limited knowledge and understanding with limited or no analysis of problems with SLE's stock control</p> <p>NB – award one mark for non-contextualised answer.</p> <p>0 marks no response or no response worthy of credit.</p>	6 (AO1 2) (AO2 2) (AO3 2)	<p>Possible problems include:</p> <ul style="list-style-type: none"> • Re-ordering quantities might be too high (or low) • Buffer stock policy – clearly does not work • Issues of sudden shortages of supply • Issues of sudden changes (up or down) in demand • Costs of holding leather – does it 'go off'? <p>Exemplar response: SLE clearly do have an issue with stock control because it ran out in November. This was, judging by the graph, an issue to do with supply or delivery, as opposed to sudden surges in demand. Whether a delivery did not arrive (the fault of the supplier maybe) or was not ordered (SLE's fault) is unclear, but there is clearly an issue here that needs resolving urgently given the nature of the business supplying high end seat covers to firms who presumably want them at specific times.</p> <p>ARA</p>

5	e	<p>1 mark for correct identification of the impact of a rise in the value of the Euro up to a maximum of two marks.</p> <p>1 further mark for a correct explanation of the impact on a business, up to a maximum of 2 marks.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Possible impacts:</p> <ul style="list-style-type: none"> Exports to the UK – will more expensive for UK customers, eg the firm in UK importing the seat covers Imports from outside the Eurozone – will become cheaper for non-Eurozone customers to buy <p>Allow for candidates to base their answer on a business based in Eurozone or not in the Eurozone</p> <p>ARA</p>
6	*	<p>Level 4 (20-16 marks) Candidate shows strong knowledge, understanding, analysis and evaluation of likely effects on BMW of changes in the global business environment <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (15–11 marks) Candidate shows good knowledge and understanding, analysis and evaluation of likely effects on BMW of changes in the global business environment <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (10-6 marks) Candidate shows reasonable knowledge and understanding, analysis and evaluation of likely effects on BMW of changes in the global business environment</p>	<p>20 (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p>MUST be MARKETING changes, not other adjustments that BMW would need to make, e.g. HR, finance, operational – although these could overlap and be used to argue for or against marketing impacts</p> <p>Global business environment changes include:</p> <ul style="list-style-type: none"> Economic events – demand & supply related – in different countries, wealth, GDP, SOL. etc. Political events/shocks that impact on demand and supply – including trading blocs (ASEAN etc.), tariffs etc. Technological change Legal environment, e.g. import laws Social and demographic change in different countries Environmental & ethical change Competition Suppliers/outsourcing environment <p>Exemplar response: The pace of change in the global environment is rapid and the impact on BMW’s marketing profound and ever changing. Once such continuous change is the growing (relative) wealth</p>

	<p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (5-1 marks) Candidate shows limited knowledge and understanding with limited or no analysis and evaluation of likely effects on BMW of changes in the global business environment <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>of the Indian sub-continent and SE Asia. The impact this would have on a car producer like BMW is obvious. More demand for its cars, but more specifically new markets to target with different products. On Ansoff's matrix this might well be classed as market extension (same product, new customers) as the Indian middle classes are sold BMWs. However, it is clear from Extract G that BMW is actually designing cheaper and smaller models for the mass Indian market who cannot afford the higher end models. These are just some examples of the myriad 'product' related issues that will impact on BMW of the rise in GDP of countries such as India. BMW, to compete, will have to re-design and re-package its cars for these customers and the number of permutations and considerations in this regard will only increase. Hence, BMW will need to spend considerable resources establishing what customers want, in R & D and in promotion to get the right product to this new group of customers. This, remember, is in an increasingly globalised and competitive market, where consumers are technology and 'fashion' savvy and where there is a lot of choice. The marketing effort, therefore, from firms such as BMW will be impacted on beyond what it may indeed realise, and perhaps BMW's best marketing policy is to remain exclusive and be choosy about to whom and where it sells. For a mass producer with considerable marketing reach, this is unlikely!</p> <p style="text-align: right;">ARA</p>
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