



# **MARKSCHEME**

**May 2014**

**BUSINESS AND MANAGEMENT**

**Standard Level**

**Paper 1**

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The markbands on pages 3–4 should be used where indicated in the markscheme.

Section A			Level descriptors
Q1 (c)	Q2 (c)	Q3 (c)	
Marks 0–7			
<b>0</b>			
<b>1–2</b>			<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues, concepts and theories.</li> <li>• Little use of appropriate terminology.</li> <li>• No reference is made to the information in the case study.</li> </ul>
<b>3–5</b>			<ul style="list-style-type: none"> <li>• A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories.</li> <li>• Some use of appropriate terminology.</li> <li>• Some reference is made to the information in the case study, not just to the name of the organization.</li> <li>• At the lower end of the markband responses are mainly theoretical.</li> </ul>
<b>6–7</b>			<ul style="list-style-type: none"> <li>• A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories.</li> <li>• An analysis/examination that uses appropriate terminology throughout the response.</li> <li>• Explicit references are made to the information in the case study.</li> </ul>

<b>Section B</b>	<b>Level descriptors</b>
<b>Q4 (d)</b>	
<b>Marks 0–8</b>	
<b>0</b>	<ul style="list-style-type: none"> <li>• No knowledge or understanding of relevant issues, concepts and theories.</li> <li>• No use of appropriate terminology.</li> </ul>
<b>1–2</b>	<ul style="list-style-type: none"> <li>• Little knowledge and understanding of relevant issues, concepts and theories.</li> <li>• Little use of appropriate terminology.</li> <li>• No evidence of judgments and/or conclusions.</li> <li>• No reference is made to the information in the case study.</li> </ul>
<b>3–4</b>	<ul style="list-style-type: none"> <li>• A description with some knowledge and/or understanding of relevant issues, concepts and theories.</li> <li>• Some use of appropriate terminology.</li> <li>• No evidence of judgments and/or conclusions.</li> <li>• Some reference is made to the information in the case study, not just to the name of the organization.</li> <li>• The response is mainly theoretical.</li> </ul>
<b>5–6</b>	<ul style="list-style-type: none"> <li>• A response with relevant knowledge and understanding of relevant issues, concepts and theories.</li> <li>• A response that uses relevant and appropriate terminology.</li> <li>• Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding.</li> <li>• Explicit references to the information in the case study are made at places in the response.</li> </ul>
<b>7–8</b>	<ul style="list-style-type: none"> <li>• A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories.</li> <li>• A response that uses appropriate terminology competently throughout the response.</li> <li>• A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis.</li> <li>• Explicit references to the information in the case study are made throughout the response.</li> </ul>

**SECTION A**

**1. (a) Define the following terms:**

- (i) *primary sector (line 2)* *[2 marks]*

The primary sector of an economy includes agriculture as well as fishing, forestry and mining. It extracts natural resources/raw materials.

Candidates are **not** expected to word their definition **exactly** as above.

Award *[1 mark]* for a basic definition that conveys partial knowledge and understanding.

Award *[2 marks]* for a full, clear definition that conveys knowledge and understanding, similar to the answer above.

For **only** a relevant example **or** application to the stimulus award *[1 mark]*.

- (ii) *dividends (line 23)*. *[2 marks]*

Dividends are the payments that a business pays to its shareholders on a proportional basis (percentage) of the company's profit (a fixed payment amount for each share of the business).

Candidates are **not** expected to word their definition **exactly** as above.

Award *[1 mark]* for a basic definition that conveys partial knowledge and understanding.

Award *[2 marks]* for a full, clear definition that conveys knowledge and understanding similar to the answer above.

For **only** a relevant example **or** application to the stimulus award *[1 mark]*.

- (b) Explain *one* advantage and *one* disadvantage for Martin Kimathi of receiving “a salary based on performance-related pay” (line 45). [4 marks]

Possible advantages include:

- Martin will be financially motivated to ensure the success of *The Imperial*, because the higher the number of guests, the more Martin himself will earn, which is also good for *GP* as it ensures higher dividends.
- In the longer term, Martin will pay attention to areas such as marketing and strategic development: if some of the options are very successful, that is, if Martin performs well as manager he could become very rich, which could be a major achievement for the son of a groundskeeper.

Possible disadvantages include:

- For some external reasons, for example political or economic, beyond Martin’s control, Mombasa could lose its popularity as a tourist destination; fewer tourists would stay at *The Imperial* and Martin’s salary would decrease, by no fault of his own, even if he does an excellent job as a manager.
- The notion of “performance” could be very ambiguous for Martin if it is not well defined in his contract: it could be about the number of guests coming to the hotel, or the amount they spend (duration, extras...) or it could involve other aspects, such as their ratings or comments posted on a website (TripAdvisor for example) that Martin cannot control; he would earn less money to support his family just because someone gave unfair negative feedback about the hotel.

Accept any other relevant advantage / disadvantage in the context of *The Imperial*.

**Mark as 2 + 2.**

Award [1 mark] for each valid advantage/disadvantage, and [1 mark] for each development of a valid point, showing why this is an advantage/disadvantage in the context of the *Imperial*.

Award a maximum of [2 marks] if there is no application to the case study.

- (c) **Analyse the advantages and disadvantages for *The Imperial* of the strategic alliance with *KenSafar* (Option 3).** [7 marks]

The strategic alliance with *KenSafar* presents both advantages and disadvantages for *The Imperial*. On the one hand, this scheme would ensure a regular and predictable flow of guests at *The Imperial*; the hotel would know when to expect them and could make special arrangements, for example organizing transport to the hotel. Martin could also benefit from Kamau's networks and contacts, and take advantage of the increasing number of tourists interested in safaris. On the other hand, the strategic alliance with *KenSafar* would be costly for *The Imperial*, in two ways: firstly, the cost of the initial improvements to the building; secondly, the 20 % commission, which could substantially make a dent into *The Imperial's* cash-flow (Martin would need to take this into account when calculating his break-even; it could even affect his own performance-related pay).

*Accept any other relevant point, such as spreading risk, poor communication, brand image, reputation.*

*Accept any other relevant advantage / disadvantage in the context of The Imperial.*

Candidates are **not** expected to refer to all of the above points for top marks, but their analysis must be balanced in order to reach the highest level of the markband.

Marks should be allocated according to the markbands on page 3.

2. (a) Define the following terms:

(i) *appraisal (line 102)*

[2 marks]

Appraisal refers to a meeting between a worker and a manager (in the case study: Susan and Martin) where they review key aspects of the worker's performance, including objectives and development. Different organizations have different systems of appraisal; such as peer appraisal and 360 degrees appraisal.

Candidates are **not** expected to word their definition **exactly** as above.

Award [1 mark] for a basic definition that conveys partial knowledge and understanding.

Award [2 marks] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

For **only** a relevant example **or** application to the stimulus award [1 mark].

(ii) *dismissal (line 113).*

[2 marks]

Dismissal occurs when an employer terminates the contract of an employee; it is often just called "firing". To be dismissed, the employee must have been incompetent or must have breached the terms of his or her contract.

*Accept the term lay-off.*

Candidates are **not** expected to word their definition **exactly** as above.

Award [1 mark] for a basic definition that conveys partial knowledge and understanding.

Award [2 marks] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

For **only** a relevant example **or** application to the stimulus award [1 mark].

- (b) **Martin Kimathi prepares two types of final accounts for *Global Properties (GP)*: profit and loss accounts and balance sheets. Explain the importance of those *two* types of final accounts for *GP* (lines 69–70).** [4 marks]

The profit and loss account of a company shows the sales revenue for a given period of time (usually a year), as well as the costs – and also the levels of profit (gross profit, net profit). In the case of *GP* and *The Imperial*, it is important for *GP* to see how profitable the hotel is and what the dividends and retained profit are (the dividends that can be paid to *GP* shareholders, the retained profit that can be used by the hotel for maintenance and other types of investment).

The balance sheet shows what an organization owns (fixed assets such as the building, current assets such as stock and cash) and what it owes others (liabilities such as money still to be paid to suppliers). In the case of *GP* and *The Imperial*, it is important for *GP* shareholders to see how safe the investment is and how well the manager (Martin) is performing, for example towards debtors and creditors. The balance sheet also indicates the business's level of working capital and its liquidity, which provide insight into the business's ability to survive in the short term.

**Mark as 2 + 2.**

Award [1 mark] for each correct answer, and [1 mark] for each development about the importance for *GP* (ie to get the second mark, the candidate must refer to *GP* in the context of the case study: a purely theoretical answer is not sufficient for full marks).

- (c) Analyse the impact that *one* opportunity and *one* threat may have on *The Imperial*. [7 marks]

This question implicitly refers to a SWOT analysis (opportunities and threats being external, as opposed to internal strengths and weaknesses). Candidates are not required to carry out a SWOT analysis, but they must identify a valid and relevant opportunity and a valid and relevant threat.

**The opportunity / threat must be external.**

Valid and relevant opportunities include:

- Tourists to Kenya are increasingly interested in combining leisurely beach holidays with safaris or cultural tourism; lying by the Indian Ocean, *The Imperial* has traditionally targeted holidaymakers, but Martin has carried out market research and realised that market development (to use a term from the Ansoff matrix) is a possible opportunity for *The Imperial*; this corresponds to Martin's Option 3 (strategic alliance with *KenSafar*).
- Although *The Imperial* has always been a hotel for leisure tourists, paying per night, Martin has recently considered a different target market altogether (this is the opportunity): "business travellers staying at least one week" (see Option 2). Although the core product would stay the same (accommodation), several aspects would be different (the rooms would be turned into "self-contained apartments with small kitchens"). This may seem quite a radical change, but there may well be a business opportunity there. The marketing audit has revealed that there is increasing demand for this kind of accommodation and there are very few hotels in Mombasa offering such apartments.
- The case study makes some brief and separate references to WiFi access, to business travellers and to special events services – although this is not explicitly suggested, *The Imperial* could also specialise in other areas, for example developing conference facilities to target high-level meetings with politicians and senior civil servants of organizations such as the AU (African Union); this again represents an external opportunity that *The Imperial* could seize.

Valid and relevant threats:

- Competition from the "new luxurious hotels" nearby: "with their spas, themed restaurants and fast WiFi internet access, they offered better facilities and better services than *The Imperial*"; Martin is very aware of the issue, he has also travelled to Dubai and Muscat to get ideas about how *The Imperial* could reinvent itself to try to compete.
- Although Kenya is seen as a stable country, terrorist attacks are always possible (some candidates might have researched the fact that there was a terrorist attack in Mombasa in 2002, outside the Paradise Hotel, killing 13 people); this threat could deter some travellers from going to Kenya, which would affect *The Imperial*.
- Global economic conditions. When major economies such as those of the United States, Europe, or the Pacific Rim are in economic recession or are merely in periods of slower economic growth, the tourism industry often suffers or experiences decreases in revenue.

If only one threat, or one opportunity is external award a maximum of [4 marks].

Marks should be allocated according to the markbands on page 3.

3. (a) Describe how a hotel such as *The Imperial* combines human resources, physical resources and financial resources for its business activity. [4 marks]

The “human resources” correspond to the staff employed (not just the workers but the managers too, middle managers such as Susan and even Martin as manager of the entire hotel), the “physical resources” correspond to the hotel itself (the building with the rooms), the “financial resources” correspond to current assets, liabilities and even retained profit (simply put: the money in the bank that the manager can use). As in any business, the three types of resources are combined, *ie* not taken in isolation: they are interrelated, as for example the financial resources may make it possible to improve the human resources (by hiring more staff) and the physical resources (by renovating the rooms), which in turn may lead to more financial resources.

Award [1 mark] for a basic answer showing some limited knowledge of what “human resources”, “physical resources” or “financial resources” are.

Award [2 marks] for an adequate answer showing knowledge of “human resources”, “physical resources” and “financial resources” by applying them to a hotel (for example the fact that “physical resources” correspond to the premises and that “human resources” are the staff employed in the hotel).

Award [3 marks] for a satisfactory answer which partially describes how the resources (human, physical and financial) are combined in a hotel (for example how the main revenue comes from the physical resources); such an answer shows the integration of any two types of resources.

Award [4 marks] for a good answer which correctly describes how the resources (human, physical and financial) are combined in a hotel (for example how the financial resources may make it possible to improve the human resources, by hiring more staff); such an answer shows the integration of the three types of resources.

- (b) Explain *two* benefits for Martin Kimathi of conducting a marketing audit (line 59). [4 marks]

A marketing audit evaluates the existing marketing activities in a business. It has the following benefits:

- Based on his experience and intuition, Martin has some generic (preconceived) ideas about the types of tourists who come to Kenya; his marketing audit however will give him more reliable, factual information. (Note: candidates could refer to TOK concepts here).
- As Martin knows *The Imperial* and its guests (customers) so well, he might miss/ignore some important marketing aspects, for example about some of their needs or some of the extra services they could benefit from; the marketing audit will enable *The Imperial* to find out the changes in customers' needs that Martin has not perceived and to analyse data in a more systematic way, not based on anecdotes, but on representative samples.
- The marketing audit could help Martin appreciate which aspects of the marketing mix he should change, or not, at *The Imperial* (for example about “physical evidence” the marketing audit could reveal the fact that many guests do seek and value the old-fashioned colonial charm of the hotel and stay there precisely for that reason).

Candidates are not asked to define “marketing audit”; they may do so at the beginning of their answer. A candidate whose answer solely consists in a definition of “marketing audit” would still be awarded [1 mark] overall, in order to credit the fact that they have some knowledge of the concept being examined here (“marketing audit”).

There are two references to marketing audit in the case study, one about tourism to Kenya in general (see lines 59–61) and one about strategic option 3 (see line 161). Candidates may refer to one in particular or to both or just to Martin’s marketing audits in general.

*Accept market research as part of a marketing audit. However, if the answer only refers to market research, award a maximum of [2 marks].*

**Mark as 2 + 2**

Award [1 mark] for each valid answer, and [1 mark] for each development, showing why this is beneficial for Martin.

- (c) Using examples of migrant workers (such as Jomo Kimathi, Martin Kimathi and Craig Chapman), analyse the significance of changes in domestic and international labour mobility.

[7 marks]

The case study provides three examples of migrant workers: Jomo Kimathi (who first worked in Kenya, then in England, once *The Imperial* was sold in 1959), Martin Kimathi (who was born and educated in England, but went to Kenya in 2000 to work as hotel receptionist there) and Craig Chapman (who went to Kenya in the early 20th century to open and operate an orphanage there). Those three examples of international labour mobility show that people migrate for a range of work motivation (to find a new job, to find a first job, for financial or humanitarian reasons). It is beneficial for the country of arrival (*eg* with Martin and Craig: qualified workforce in Kenya) and sometimes also for the country of departure too (*eg* in the short term, migrants often send money back home, as did Jomo, maybe; in the long term, many migrant workers decide to go back home, as Jomo returned to Kenya to retire). International labour mobility usually has an economic dimension (for example from less developed countries to more developed countries) though other factors are important too (for example joining family or avoiding political situations, as with refugees).

*Accept any other relevant point.*

**N.B.** Change can refer to changes in individual circumstances as well as to labour markets.

Candidates are **not** expected to cover all the above-mentioned points. However, for candidates' responses in the 6–7 markband, they must include **at least two** of the examples above, in some fashion and consider both the impact on the destination country and the “departure country” and recognize that people migrate for both financial and non-financial reasons.

Marks should be allocated according to the markbands on page 3.

**SECTION B**

4. (a) (i) **Outline *one* possible area of conflict between *two* internal stakeholders of *The Imperial*.** [2 marks]

One possible area of conflict is about Guthoni’s dismissal by Susan. It is a conflict between two internal stakeholders:

- the workers (Guthoni’s colleagues) who are outraged (line 113) as they believe that Susan unfairly dismissed her
- the hotel management: Susan and especially Martin, who see how a strike could damage the hotel operations, compromising its financial situation and even its whole future.

*Accept any other relevant answer.*

Award [1 mark] for the explicit identification of two correct internal stakeholders.

Award [1 mark] for the outline of a possible area of conflict between those two internal stakeholders.

**N.B:** If at least one of the stakeholders is external (for example Kamau Onyango) the answer cannot receive any mark.

- (ii) **Identify *two* fixed costs for *The Imperial* (line 146).** [2 marks]

Fixed costs include:

- the salary (wages) of the hotel staff (as they would be employed, no matter how many rooms are let
- some utility bills such as electricity, internet access (as Martin may pay the server a fixed amount, no matter whether 10 guests or 100 guests use the bandwidth)
- some local taxes that the hotel may pay, based on the land/property itself (no matter how many guests are at the hotel)
- some promotional costs (for example if Martin pays for advertisements in business directories or websites targeting business travellers who need to stay in Mombasa for at least a week).

The answers must be applied to the hotel – so generic answers such as rent, marketing, maintenance, taxes cannot be credited, unless they are contextualized.

**N.B:** Some costs are always semi-variable or can be interpreted differently (for example the hotel could have hourly-paid contractual cleaners who are only employed if there is work for them).

Candidates are not asked to define “fixed costs”; they may do so as the beginning of their answer. A candidate whose answer solely consists of a definition of “fixed costs” would still be awarded [1 mark] to credit the fact that they have some knowledge of the concept being examined here (“fixed costs”).

- (b) Explain the value of the Ansoff matrix as a decision-making tool for Martin Kimathi to choose between Options 1, 2 and 3. [4 marks]

	Existing products	New products
Existing market	Market penetration	Product development
New market	Market development	Diversification

Option 1 is “existing market” “The new hotel would attract the same customer types” (see line 135) but with a slightly different product (renovated hotel) – however this is still a hotel, so “product development” is not an ideal description. Option 2 is “quite a different product” (though still a hotel) with “quite a different type of customers” (still visitors to Mombasa though), so again “diversification” would not be appropriate. Option 3 is “slightly different market” (though still tourists to Kenya) with a “slightly different product” (some improvements to the hotel) – but talking about “diversification” may be too exaggerated.

The three options at the end of the case study illustrate very well the limits of the Ansoff matrix.

*N.B:* Candidates are not asked to draw the Ansoff matrix itself (*ie* the table); candidates are very likely to do so, but a candidate could receive full marks even without it. Put another way, a candidate will not be penalized if their answer is only textual.

The [4 marks] available are allocated as follows:

Award [1 mark] for an answer that shows **partial** knowledge and understanding of what the Ansoff matrix is; this could be in the form of a diagram.

Award [**1 mark**] for an answer that shows clear knowledge and understanding of the strategies within the Ansoff matrix (market development, product development *etc*); this could be in the form of a diagram.

Award [**1 mark**] for the application to *The Imperial* (bearing in mind that interpretations may vary, for example Option 3 could be presented as market development).

Award [**1 mark**] for an explanation of the value of the matrix for Martin (although the case study shows that the matrix is of very limited value, a candidate could argue that it is a valuable tool in some ways).

- (c) **Explain how being empowered by Martin Kimathi can positively affect the job satisfaction, motivation and productivity of the employees at *The Imperial* (line 90).** **[4 marks]**

Empowerment refers to the fact that Martin readily gives his employees some autonomy and some responsibility about their working arrangements (for example if a guest has a problem in the restaurant about a disappointing dish, the hotel manager could directly offer them a free dessert to apologize). Being empowered can affect staff in several ways:

- It may increase their level of job satisfaction, as they rightfully feel that they are trusted and, as such, appreciate their job more, as opposed to being micro-managed in a bureaucratic way.
- It may motivate them more, as they become aware of other forms of non-financial motivation that they could enjoy as well, for example through job enrichment and job enlargement, as they realize that their employer supports them and gives them some control over some areas of their work.
- It could make them more productive, as they are able to make decisions faster, without having to refer to their line manager every time.
- It could however be unsuitable for some workers who start abusing this new power that they have, and adopt unprofessional attitudes, for example if some office staff are allowed to use online social networking websites, they might use it too much and lose focus on their work, thereby becoming unproductive, although their level of job satisfaction would be very high (so this would still be positive, but with a negative dimension too).

*Accept any other relevant point.*

Candidates are not asked to define “empowerment”; they may do so as the beginning of their answer. A candidate whose answer solely consists of a definition of “empowerment” would still be awarded **[1 mark]** to credit the fact that they have some knowledge of the concept being examined here (“empowerment”).

Candidates are not expected to refer separately to (i) job satisfaction, (ii) motivation and (iii) productivity, though they are likely to do so, as the question is worded that way.

Award **[1 mark]** for each basic point; award an extra **[1 mark]** for the development of that point. Award up to a maximum of **[4 marks]**.

- (d) Evaluate the effectiveness of Susan Chapman’s and Martin Kimathi’s leadership styles, and their implications for *The Imperial*. [8 marks]**

Susan and Martin have very different leadership styles – almost antithetic and stereotypical. Susan is presented as (very) autocratic, whereas Martin appears as mainly laissez-faire (possibly with some elements of democratic, in his treatment of the Guthoni incident). Both are partly effective and partly ineffective (for example Susan is not appreciated by her employees, but her work performance is very high; Martin seems affable with his staff, but in his appraisal meetings with Susan, he is not able to convince her that she should change her own leadership style). There are several consequences for *The Imperial*, some positive ones (for example about the high quality of housekeeping standards, as praised by the French journalist), some negative ones (for example about Martin’s inability to manage Susan who alienates her staff so much that they threaten to go on strike in one of the busiest months of the year for the hotel).

*Accept any other relevant point.*

For top marks, candidates must evaluate the effectiveness of both leadership styles, in context, with reference to the possible implications for the hotel.

Marks should be allocated according to the markbands on page 4.

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