

# **MARKSCHEME**

**May 2007**

**BUSINESS AND MANAGEMENT**

**Standard Level**

**Paper 2**

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1. (a) Calculate

(i) the present variable cost of producing and distributing a batch of 50 sunglasses, including chains and cases.

[3 marks]

Variable costs include:

|              |                   |                    |
|--------------|-------------------|--------------------|
|              | \$                |                    |
| Manufacture  | 6.0               |                    |
| Chain        | 1.0               |                    |
| Case         | 0.6               | (\$60 ÷ 100 units) |
| Distribution | <u>0.4</u>        | (\$20 ÷ 50 units)  |
|              | <b><u>8.0</u></b> |                    |

A batch of 50 sunglasses = \$8 × 50 = \$400

**Or**

|             |                   |          |
|-------------|-------------------|----------|
|             | \$                |          |
| Manufacture | 6.0               |          |
| Chain       | <u>1.0</u>        |          |
|             | <b><u>7.0</u></b> | per pair |

\$7 × 50 = \$350 per batch

|                   |                   |
|-------------------|-------------------|
| Plus distribution | 20                |
| Cases             | 30                |
|                   | <b><u>400</u></b> |

[3 marks]

The calculations are completely accurate and there is a clear explanation of the working/method.

[2 marks]

There is a maximum of one error in the calculations or the calculations are completely accurate, but the method is unclear.

[1 mark]

There is some understanding of the method, but the calculations may lack accuracy.

(ii) **the contribution made on the sale of each pair of sunglasses.** *[2 marks]*

$$\text{Price} = \$600 \div 50 = \mathbf{\$12}$$

$$\begin{aligned} \text{Contribution to fixed costs} &= \text{price} - \text{variable cost} \\ &= \$12 - \$8 \\ &= \mathbf{\$4} \end{aligned}$$

Or

$$\begin{aligned} &= \$600 - \$400 \\ &= \$200 \text{ per batch} \div 50 \\ &= \mathbf{\$4} \end{aligned}$$

*[2 marks]*

The answer is correct and the method is clear.

*[1 mark]*

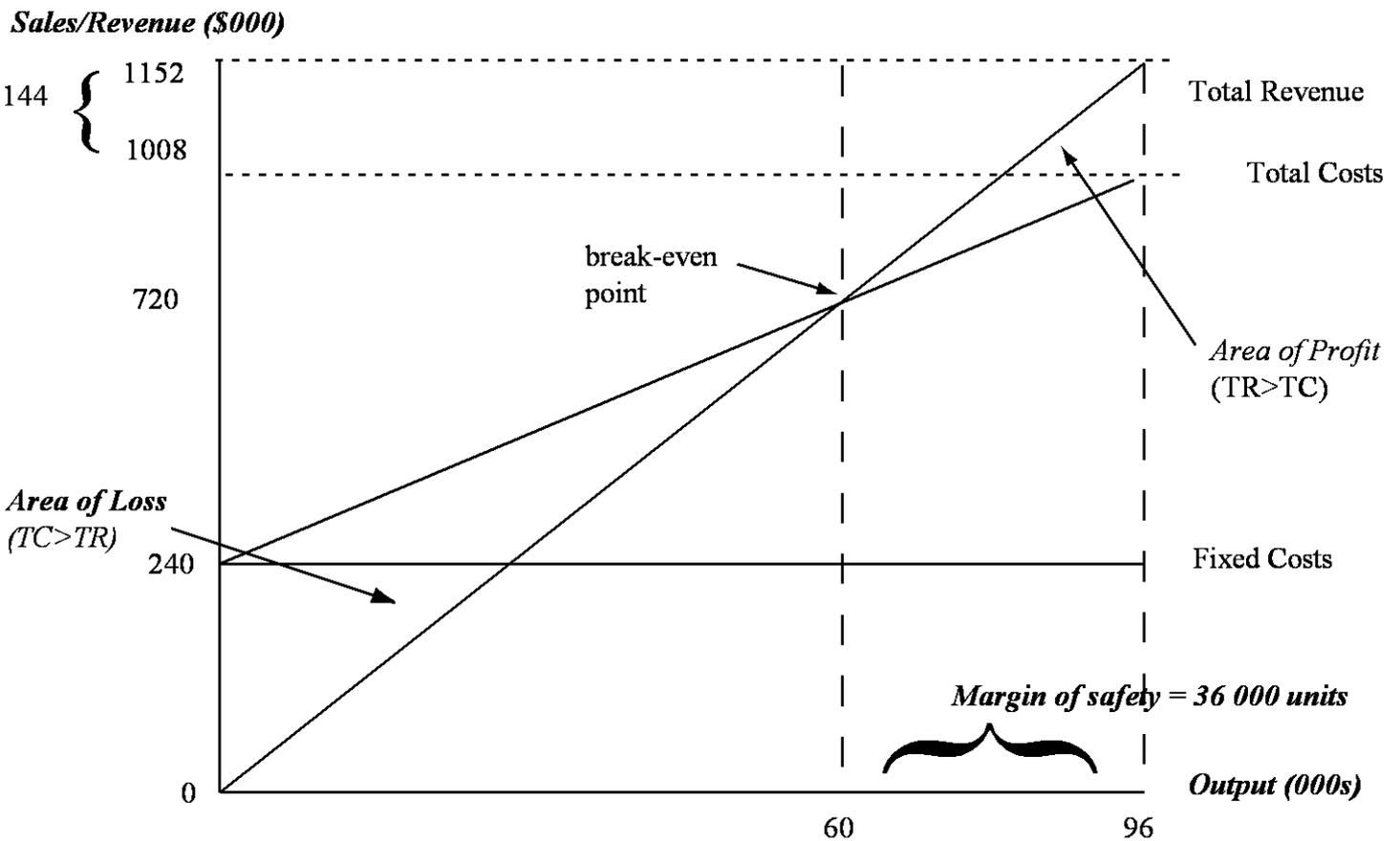
The answer is correct, but the working is not clear, or the method is correct, but the answer is incorrect.

Note: If the candidate makes an error in calculating variable costs in 1(a)(i) above (for which the candidate lost marks) but here uses the same variable cost figure *and* the correct formula (contribution = price – variable cost), do not deduct *[1 mark]* for the incorrect answer but the correct method (unless the candidate has, in addition, made an arithmetic error in 1(a)(ii)).

(b) Construct a fully labeled break-even chart for 2006 to show the following:

All figures in \$

| Output  | FC      | VC (\$8) | TC        | TR (\$12) | +/-       |                   |
|---------|---------|----------|-----------|-----------|-----------|-------------------|
| 0       | 240 000 | 0        | 240 000   | 0         | (240 000) |                   |
| 20 000  | 240 000 | 160 000  | 400 000   | 240 000   | (160 000) |                   |
| 40 000  | 240 000 | 320 000  | 560 000   | 480 000   | (80 000)  |                   |
| 60 000  | 240 000 | 480 000  | 720 000   | 720 000   | 0         | <b>Break-even</b> |
| 80 000  | 240 000 | 640 000  | 880 000   | 960 000   | 80 000    |                   |
| 100 000 | 240 000 | 800 000  | 1 040 000 | 1 200 000 | 160 000   |                   |



(i) the annual unit sales of sunglasses that *Eye-Spy* require to break-even.

Fixed costs \$240 000 ÷ contribution \$4  
= 60 000 pairs of sunglasses

(ii) **the annual margin of safety.**

*Margin of safety* is actual output – break-even output  
 = 96 000 – 60 000  
 = **36 000** pairs of sunglasses

(iii) **the profit for 2006 at full capacity.**

**[8 marks]**

Profit = TR – TC  
 TR = \$1 152 000 (96 000 × \$12)  
 VC = 96 000 × \$8 = \$768 000  
 FC = \$240 000  
 TC = \$1 008 000

**Profit = \$144 000**

(or margin of safety × contribution 36 000 × \$4)

**[6 to 8 marks]**

The break-even chart is accurately presented with the break-even output, margin of safety and level of profit identified. The lower end of the band is awarded where there are some minor omissions in presentation or calculation.

**[3 to 5 marks]**

There is a valid attempt at presenting a break-even chart, but there are some inaccuracies and/or omissions in presentation or calculations, which may mean that one or more of the answers are incorrect.

**[1 to 2 marks]**

The break-even chart is highly inaccurate or missing as in the case where a candidate uses only formula calculations. The principles are understood only in a very general sense.

*A candidate producing only a break-even chart without showing the calculations may still earn full marks, provided the correct figures for the break-even amount (number of glasses), the margin of safety (number of glasses), and the profit (the dollar amount) are explicitly and accurately shown on the chart. Without the calculations presented, the examiner has virtually no basis to give students the benefit of the doubt with respect to the figures or errors in their calculation. If the candidate has correct calculations and answers for break-even amount, margin of safety, and profit but not break-even chart, award [1 mark].*

- (c) **Using financial and non-financial information from the text, evaluate the proposal to expand production of *Eye-Spy* sunglasses.**

[7 marks]

The increase in output would add \$40 000 to fixed costs = \$280 000  
 Variable costs would increase to \$9 and price to \$13 (\$650 ÷ 50)  
 Contribution would remain at \$4 as a result.

- **Break-even** would become:  $\$280\,000 \div \$4 = \underline{\underline{70\,000}}$  sunglasses

Potential sales could increase 2000 units per month =  $24\,000 \div 12$

- The **margin of safety** would increase to  $\underline{\underline{50\,000}}$  units.
- **Profit** would also increase to  $50\,000 \text{ units} \div \$4 = \underline{\underline{\$200\,000}}$

**Other potential factors:**

- the increase in capacity of 2000 units is 25 % – the same as the annual increase in sales over the last year – this may not be enough new capacity
- the employees may be more motivated by higher wage rates
- the cost of borrowing funds needs to be considered
- sunglasses are fashion items and predictions about further growth may be inaccurate
- assumption is made that all glasses are sold although price is higher

The expansion seems sensible on financial grounds but *Eye-Spy* would need to conduct further research and a financial appraisal of costs to ensure it is viable in the long run. A larger expansion may be needed. The effect of the price increase needs to be assessed – how price elastic are customers?

**[6 to 7 marks]**

The evaluation includes both financial and non-financial information and recommendations are made about expansion. The effects on profit, break-even and margin of safety are calculated.

**[3 to 5 marks]**

There is consideration of some financial and non-financial information, although this may be unbalanced. Recommendations may be limited or missing. The effects on profit, break-even and margin of safety are recognized, but may not be calculated.

**[1 to 2 marks]**

A generalized and limited response.

2. (a) **Explain what is meant when *Crucible* is described as a subsidiary of *Tesco*.** [2 marks]

A subsidiary is a business owned by another business – the holding company, which will own more than 50 % of its shares and therefore have control. The subsidiary is likely to operate under its own trading name. The financial figures from the subsidiary will be included in the parent company’s accounts as Group accounts.

[2 marks]

An accurate explanation with the use of some appropriate development.

[1 mark]

A brief and general explanation, but one that nonetheless conveys the idea that *Tesco* **owns** *Crucible*, not merely that *Crucible* is a branch, division, *etc.* of *Tesco*.

- (b) (i) **From the text identify *two* examples of primary research and *two* examples of secondary research.** [4 marks]

**Primary:** This is the collection of first-hand data by the use of questionnaires and surveys.

**Secondary:** This is the interrogation of existing data sources such as statistics collected and published by private market research companies and government agencies.

*Note: Loyalty cards can be defined as both primary and secondary research, depending on how the data from them are used. In the context of the case, the use of “loyalty cards” is a form of primary research by Tesco to produce the consumer profiles, which when sold are a form of secondary research.*

Award [1 mark] for each example identified up to a maximum of [2 marks] for primary examples and [2 marks] for secondary examples.

- (ii) **Analyse the advantages and disadvantages of primary and secondary research to *Crucible*.**

**[6 marks]**

**Primary research:** Primary research is expensive and time-consuming. However, it will provide specialist consumer data, which is up-to-date and tailored to the requirements of *Crucible*. It may provide qualitative, as well as quantitative, information. Observation may be required to gather the information on some of the categories identified e.g. customer shopping behaviour. Focus groups will allow the detailed examination of the psychology of customers e.g. motivations, opinions and attitudes.

*Crucible* will need to be aware of potential bias or inadequate sampling techniques; garbage in – garbage out.

This data will be essential if they wish to sell their information on to other organizations.

**Secondary research:** General information on market trends for most market sectors, demographic and consumer profiles and economic factors. This may be freely accessible to the public and free, but may need to be bought from other market research agencies. It may cover whole markets from large samples.

It has the disadvantage that it may not be current nor in the form required by *Crucible*.

**[5 to 6 marks]**

The analysis covers advantages and disadvantages of both primary and secondary research and is related to *Crucible*.

**[3 to 4 marks]**

The analysis may cover advantages and disadvantages of both primary and secondary research, but is limited in scope, or may not address both advantages and disadvantages and/or may be unbalanced in reference to primary and secondary research. The answer may not relate to *Crucible*.

**[1 to 2 marks]**

There is a generalized and limited response with unbalanced coverage.

- (c) **Discuss, with practical examples, how the Crucible customer database can help companies, such as *BMW*, *Coca-Cola*, *Sky* and *Orange*, make successful business decisions.**

**[8 marks]**

Firms buy information on customers, so that they can segment their market, target their chosen customers and position their product so that it matches customer wants and needs. It will allow the businesses to market their products and services in a cost-effective manner.

Accurate database information will allow firms to advertise in appropriate media and save money. It will facilitate direct marketing and will be instrumental in the development of the marketing mix such as price, distribution and promotion. It will also provide vital information on image and how this can be enhanced.

Firms can also use this information as part of the process of new product development and can be a vital element in the location of retail outlets. It may provide businesses with information on complementary products or services.

In specific terms, *BMW* may use database information to develop new models, which fit into their product image and provide information on suitable promotion techniques. *Coca-Cola* may use this information to develop new flavours. *Sky* may use the data to place advertisements and select programming. *Orange* may adapt tariffs and develop new features for their phones.

The data provided will only be of use if it is current, accurate and presented in a form that can be easily used. If the cost is too great it may not add to profits. However, knowledge of this type will possibly prevent very expensive marketing errors.

**[6 to 8 marks]**

The discussion examines, with practical examples, how the *Crucible* customer database can help companies, such as *BMW*, *Coca-Cola*, *Sky* and *Orange*, make successful business decisions. The answer is balanced and reaches some conclusions.

**[3 to 5 marks]**

The discussion examines how the *Crucible* customer database can help companies, such as *BMW*, *Coca-Cola*, *Sky* and *Orange*, make successful business decisions. The answer may be brief and limited in scope at the lower end of the band.

**[1 to 2 marks]**

A brief, generalized and probably unbalanced answer, which may be a description or a list.

3. (a) Explain what is meant by the term “*profit margin*”. [2 marks]

This is profit expressed as a percentage of sales revenue. It can be calculated as a total sum or per unit. Profit margin may be identified as gross profit or net profit margin.

[2 marks]

An accurate explanation with the use of appropriate terms and/or examples.

[1 mark]

A brief and general explanation. However, to earn [1 mark] the candidate must in some fashion get at the idea that profit margin means profit in relation to turnover.

- (b) Examine *two* reasons why increasing size makes *Dell* harder to manage. [4 marks]

As an organization grows some of the following problems may occur:

- the resources increases as does the administration required to record and control these leading to more bureaucracy and costs
- if expansion is quick and significant as in the case of *Dell*, control systems may be inadequate
- changes in product ranges, may mean *Dell* lose control of stock, which may become obsolete as a result
- employees become more remote from management and the objectives of the business becoming more difficult to disseminate
- increases in size may lead to larger spans of control and longer channels of command
- physical distances may increase making communication slower, more expensive and possibly inefficient
- expansion overseas may lead to cultural and language difficulties. Sourcing of parts from overseas, requires greater administration and recording systems.

[3 to 4 marks]

The examination details two reasons why increasing size makes an organization harder to manage. For [4 marks], the examination relates to *Dell* and information provided in the passage.

[1 to 2 marks]

The answer is either brief or extremely general. For [2 marks], there must be two reasons identified.

- (c) **Analyse the advantages *and* disadvantages of *Dell* targeting overseas markets for future sales growth.**

**[6 marks]**

Overseas markets may carry certain problems either absent in the domestic market, or present to a lesser extent. These include:

- language and cultural differences
- the presence of import controls
- economic and/or political instability
- additional documentation
- transportation and insurance costs
- exchange rate fluctuations
- different legal and tax systems
- corruption
- packaging modifications.

**Why do firms enter overseas markets then?**

- selling overseas offers the potential for higher profits through new market development *i.e.* finding new customers for existing products. Selling to larger markets may also offer the benefits of economies of scale. In particular R & D costs can be spread over a greater volume of sales
- overseas markets allow for diversification and the spreading of risks. If the domestic market is saturated or in recession, overseas markets may be in a different stage of the business life cycle. The markets for computers and components in developed countries are saturated
- there may be fewer laws, which constrain operation. The Asian economies tend to have fewer laws on issues such as planning requirements for new factories
- there may be less competition
- resources may be cheaper *e.g.* labour, raw materials and rent. *Dell* can source components more cheaply in Asia and standards of production are high
- overseas governments may offer incentives to firms locating in their country to encourage employment *etc.*

**[5 to 6 marks]**

The analysis is detailed and covers some advantages and disadvantages of *Dell* targeting overseas markets for future sales growth. The answer is balanced and the reasons given relate to *Dell's* business and market.

**[3 to 4 marks]**

The analysis may cover advantages and disadvantages of *Dell* targeting overseas markets for future sales growth, but is limited in scope, or may not address both advantages and disadvantages and/or may be unbalanced. The answer may not relate to *Dell* and/or may be descriptive for **[3 marks]**.

**[1 to 2 marks]**

There is a generalized and limited response with unbalanced coverage.

(d) Evaluate the use of Internet sales used by *Dell* to distribute its PCs.

[8 marks]

Internet sales are where *Dell* cuts out the middlemen and markets and sells direct to the customer. By selling and marketing directly to the customer through the Internet, *Dell* is able to significantly cut its overheads and as a result can undercut competition, offer excellent service and still keep its profit margins higher.

**The potential benefits** of *Dell* using the Internet are:

- lower trading costs as they do not require expensive retail premises and the staff required
- 24 hour trading. A retailer like *Dell* can be available all the time for customers to access
- global coverage using a relatively cheap website
- a complementary image – *Dell* is selling new technology using computer access
- ability to track customer access and quickly record details and the opportunity for *Dell* to sell information on
- the rapid growth of the Internet and the advantages provided by broadband access. New markets in Asia are opening up quickly
- control over marketing methods and distribution.

**The potential drawbacks** of using the Internet are:

- the numbers using the Internet to buy are still relatively low if compared to traditional distribution channels
- the legacy of suspicion about security and privacy
- the inability to sell a product through good salesmanship to close a deal
- the ease with which customers can check on the prices and specifications of *Dell's* competitors' products
- customers are unable to touch the product.

On balance, *Dell's* use of direct selling and marketing allows them to control their marketing and distribution channels and to cut costs to a low level allowing them to be highly competitive whilst providing a quality product. The rapid growth of the Internet and the size of untapped market, means that *Dell's* approach is commercially efficient and profitable.

***[6 to 8 marks]***

The evaluation is balanced with detailed analysis of Internet selling and marketing methods. The discussion is focused on *Dell* and/or technology markets and shows an appreciation of the growth of the Internet sales market. Appropriate and supported conclusions are reached.

***[3 to 5 marks]***

The analysis is sensible and appropriate to *Dell*, with some relevant examples at the upper end of the band. At the lower end the answer may be more descriptive and conclusions may not be reached.

***[1 to 2 marks]***

A brief, generalised and probably unbalanced answer, which may be a description or a list.

4. (a) (i) Identify *four* stakeholders of the companies referred to in the passage. **[4 marks]**

*Stakeholders identified are:*

- customers/retailers
- managers/executives
- suppliers *e.g.* farmers
- employees
- investors *e.g.* financial institutions
- general public/society
- governments.

Award **[1 mark]** for each stakeholder identified.

- (ii) **Explain how the introduction of ethical policies can cause conflicts between *two* stakeholder groups identified in (a)(i).**

**[4 marks]**

A stakeholder is anyone who has an interest in, or is affected by the behaviour, of a firm.

**Internal Stakeholders:** employees, managers, directors.

**External Stakeholders:** shareholders, customers, suppliers, general public, government.

In the **short run** there may be conflict between these groups as they have different interests:

For example shareholders want maximum profit to increase their dividends, which may not be the case if managers decide to implement ethical approaches, which cost more. A firm donates money to local charities to improve its image and to show it is socially responsible. This is a COST and so reduces profit. This is good for the local community (general public), but lowers dividends – there is a **conflict of interest**.

**Other conflicts**

- employees may wish for better terms and conditions and to be treated with respect and provided with better than a basic package. This again may reduce profits in the short term
- suppliers may wish for fair prices and to be paid on time. If competitors are exploiting cheap labour then their prices may be lower, which ultimately will reduce profits and even put the firm out of business
- customers may look for low priced products. Ethically produced goods may be more expensive.

**[3 to 4 marks]**

The explanation identifies at least two reasons why the interests of two stakeholder groups can conflict when a company introduces an ethical trading policy. For **[4 marks]**, the answer is supported with at least one relevant example.

**[1 to 2 marks]**

The answer is either brief or extremely general or only one conflict is examined. For **[2 marks]**, there must be more than one stakeholder identified.

- (b) **Analyse the advantages *and* disadvantages to a company of implementing socially responsible and ethical objectives.**

**[6 marks]**

**Advantages**

- attracts customers and employees who agree with the policy. This may have a positive influence on motivation and staff turnover
- has a positive long-term effect on the local and world environment
- improves corporate image, which may provide competitive advantage and marketing/promotion opportunities
- may pre-empt legislation, and may save costs in the long run
- improved image may influence local and national governments in granting of planning permission or the provision of trading licences
- the ability to charge a price premium.

**Disadvantages**

- the policy may be perceived as merely a cynical or cosmetic attempt to avoid its longer-term responsibilities
- the implementation may be costly, which places the firm at a competitive disadvantage
- the approach may not carry the support of investors and shareholders who may sell their investments, lowering market values
- the business may come under increased scrutiny which may highlight failings leading to bad publicity.

**[5 to 6 marks]**

The analysis is reasonably balanced with assessment of the advantages and disadvantages of setting and implementing socially responsible and ethical objectives. The analysis shows evidence of critical, reflective thinking and employs relevant examples.

**[3 to 4 marks]**

The analysis is appropriate, but may lack detail and/or balance, especially at the lower end of the band.

**[1 to 2 marks]**

A brief, generalized and probably unbalanced answer, which may be a description or merely a list.

- (c) **Discuss how ethical approaches can be integrated into a company's marketing strategy to provide competitive advantage.**

**[6 marks]**

Marketing strategy is the way a business aims to implement its corporate objectives expressed in marketing aims. There may be several important principles such as:

- acting in a manner, which does not cause unnecessary damage to the environment. Sourcing materials from ethical suppliers, who use renewable resources. Avoiding the use of unnecessary packaging
- treating customers with respect and providing a safe product or reliable service. Listening to their needs and not making claims that cannot be substantiated or are known to be false or using techniques of promotion which create fear or take advantage of the vulnerable
- not doing business with oppressive regimes or unethical suppliers or customers
- not letting patent protection prevent products being used in cases of national emergency, such as drug treatments for viruses.

General principles are put into action through the use of the marketing mix. Ethical approaches can influence pricing policy, distribution channels, promotion techniques and product specification and packaging.

Although ethical approaches can be integrated throughout the marketing strategy, the firm will have to be aware of the cost and the financial and marketing implications.

Ultimately being ethical is of little use if it adversely affects profit levels or makes a firm uncompetitive.

**[5 to 6 marks]**

The discussion is developed and well balanced and employs a range of ideas about the implementation of ethical values. The marketing strategy is well described and illustrated using appropriate terminology and referring to the marketing mix.

**[3 to 4 marks]**

The discussion tends to be descriptive, rather than analytical, and methods to implement ethical values are limited, and increasingly inappropriate at the lower end of the band.

**[1 to 2 marks]**

A brief, generalized and probably unbalanced answer, which may be a description or a list. If the candidate addresses solely promotion, but does so in some detail, award a maximum of **[2 marks]**.

5. (a) Identify and explain the *three* leadership styles referred to in quotations ❶, ❷ and ❸.

[6 marks]

Quotation:

- ❶ *Laissez-faire* – grants responsibility and authority to the group and lets staff act as they wish. Horizontal communication between peers. Group may drift as no direction is given by the leader. Often known as leadership by exception. Its success depends entirely upon the competence of the employees.\*
- ❷ *Autocratic* – leaders are authoritative; orders are imposed with no opportunity for employees to be involved in decision-making, which stifles initiative. Communication is one way. Success relies on the ability of the leader.
- ❸ *Paternalistic* – “father like”. This type of leader will ask for opinions of employees, but will then try to persuade them to accept his point of view. Acts in the best interest of his staff, but as he sees it. Explains decisions. “Soft autocratic.”

Award [1 mark] for each correct identification of a style and an additional [1 mark] for an accurate explanation of the style characteristics, up to a maximum of [6 marks]. Candidates may be awarded [1 mark] per explanation, even if they have not properly identified the style by a generally accepted appellation, provided that candidates accurately explain the style and do more than merely restate the quotation in their own words.

*N.B.* For quotation ❶ be prepared to award [1 mark] for a type of democratic leadership if the explanation links sufficiently with the quotation.

- (b) (i) **With reference to quotation ④ explain the importance of objectives in managing an organization.**

*[3 marks]*

It is only with objectives that a firm can know where it is going, and measure its progress towards it. Objectives are medium-to long-term targets that can give a sense of direction to a manager, department or whole organization. If a team is given a sense of common purpose, it becomes easier to coordinate actions and to create a team spirit.

Business objectives are established so that the success or failure of the organisation can be judged and form the basis for decisions on strategy:

- they clarify for everyone what the business is working to achieve
- they aid decision-making and the choice of alternative strategies
- they enable checks on progress
- they provide the means by which performance can be measured
- they provide a focus for individual roles in an organization
- they can be broken down to provide targets for each part of the organization
- they can be used to analyse the performance of the business and its employees.

*[3 marks]*

An accurate explanation with some examples showing the importance of objectives in managing an organization with the use of appropriate terms and/or examples.

*[2 marks]*

An explanation illustrating some aspects of objectives in the management process.

*[1 mark]*

A brief and general explanation.

(ii) **With reference to quotation 5 distinguish between objectives, strategies and tactics.**

*[3 marks]*

- **Objectives** – are medium-to long-term targets that can give a sense of direction to a manager, department or whole organization. They are the foundations for strategic and tactical decisions.
- **Strategy** – is really a long-term objective. Some decisions may have significant consequences. Companies deciding, for instance, to change location or products may invest large sums in their decisions. Poor decisions may result in the closure of the business itself. These types of decisions are called “strategic” or high level decisions. Businesses need to get these decisions right.
- **Tactics** – are short-term or “low level” decisions. It is how a firm will achieve its strategic aims on a day-to-day basis and less important decisions, such as what brand of paper to use. They have less important consequences than strategic decisions. It is important, however, to remember that too many poor tactical decisions could affect the longer-term strategy.

In the quotation, it states that a leader has the vision to make key strategic choices, but is also able to focus on the issues of getting things done on a daily basis.

*[3 marks]*

An accurate distinction is made between objectives, strategies and tactics.

*[2 marks]*

Some understanding of two terms.

*[1 mark]*

A clear understanding of at least one term or a limited understanding of two terms.

(c) **Evaluate the effect of different leadership styles within organizations.**

*[8 marks]*

Leadership is crucial to the operational success of a business. It has implications across all the functional areas of the business. It is important that those who manage organizations have leadership ability, whether this is natural or learned. They need to motivate their teams towards a shared vision. The leader may have sound and well thought out objectives, but if those who are to be led will not follow, then the objectives will not be achieved.

**Autocratic** leaders avoid discussion and issue instructions. This may be effective if the team is inexperienced or it is up against a deadline. The team may be used to this style if it is traditional in an organisation. However, the team is usually ineffective in the absence of the leader.

**Democratic** leaders will encourage discussion and participation in decision-making. The leader must be prepared to delegate authority and to empower the team. This may increase motivation and lead to higher performance. Complex problems may be solved by this approach. However, it may lead to slower decision-making and compromises on tough decisions.

**Paternalistic** leaders take decisions in the interest of their teams as they see it. This may be effective in family run businesses and where the leaders are experienced and genuinely value their team. However, employees may become frustrated by this style if their viewpoints are consistently ignored and it does not help develop career skills.

**Laissez-faire** leaders are really abdicating leadership altogether and are unlikely to be successful unless their team are highly motivated and talented individuals.

There is no correct style of leadership that will encourage a team to follow its leader. Leaders lead in different ways according to their natural traits and the situation in which they find themselves. Often a flexible leader who can adapt his or her style to the situation will be most effective, although consistency does play a role in trust and security.

The style of leadership depends on, among other things:

- the organisation and its culture
- the subordinates – personalities, experience and training
- the manager or leader's personality and background
- the nature of the task to be performed
- the conditions of the task – time elements and importance.

Leadership is crucial, but in some circumstances an organisation may succeed despite poor leadership, provided middle managers are effective and individual employees are self-driven.

***[6 to 8 marks]***

The evaluation is balanced with analysis of several leadership styles and their likely effect on organisations and their success. The discussion uses some appropriate terminology and covers areas such as motivation and team performance.

***[3 to 5 marks]***

The analysis is sensible and appropriate, with some relevant examples of the effect of some leadership styles at the upper end of the band. At the lower end the answer may be more descriptive and conclusions may not be reached and specific leadership styles may not be identified.

***[1 to 2 marks]***

A brief generalized and probably unbalanced answer, which may be a description or a list.

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