



2015 Business Management

Advanced Higher

Finalised Marking Instructions

© Scottish Qualifications Authority 2015

The information in this publication may be reproduced to support SQA qualifications only on a non-commercial basis. If it is to be used for any other purposes written permission must be obtained from SQA's NQ Assessment team.

Where the publication includes materials from sources other than SQA (secondary copyright), this material should only be reproduced for the purposes of examination or assessment. If it needs to be reproduced for any other purpose it is the centre's responsibility to obtain the necessary copyright clearance. SQA's NQ Assessment team may be able to direct you to the secondary sources.

These Marking Instructions have been prepared by Examination Teams for use by SQA Appointed Markers when marking External Course Assessments. This publication must not be reproduced for commercial or trade purposes.

Part One: General Marking Principles for: Business Management Advanced Higher

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

GENERAL MARKING ADVICE: Business Management Advanced Higher

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

Part Two: Marking Instructions for each Question

| Question | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|--|----------|---------------------|
| 1 | <p>Award one mark for each point plus one for each relevant development point. Award a maximum of 3 marks for general points about entering the online dating market. Candidates do not need to have a negative to gain full marks.</p> <ul style="list-style-type: none"> • In the UK 15 million singles are registered with online dating – large potential market in the UK alone. • 80% of people know someone who has found love on the internet – word of mouth is a good way of advertising; people hear of others finding love and so want to join. • The UK online dating market was estimated to be worth £150 million by 2014 – a lot of money to be earned in this market. • Worldwide there has been a 57% increase in the use of online dating – as it is online Cupid can access any country; so global market not just limited to the UK. • One in 10 singles currently use online dating sites across the world – huge number of people currently using online sites. • It is estimated that globally the industry is worth more than £2bn – huge global potential. • The market seems recession proof – it is not affected by the economic crisis. • More people are signing up – cheaper than other ways of finding love. • Popular with the over 55s – this is a growing market; they have money to spend; retired people will have more time to look online. • Over 55s is a large market – people are living longer. • A fifth of those signing up will find love online – lots of people accessing sites, becoming normal. • However there are 1400 sites in the UK alone – a lot of competition. | 6 | |

| Question | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|--|----------|---------------------|
| 2 | <p>Award one mark for each point plus one for each development point. Award a maximum of 2 marks for general points or points which state how Cupid segments its market without linking to an example. Answers should refer to specific material from the case study eg in Exhibit 2.</p> <ul style="list-style-type: none"> • Gender – Girlsdateforfree.com encourages females as they do not pay for the service. • Age – Maturedatinguk.com is aimed at the older market. • Location – geographically – Speeddater.co.uk allows users to attend events in different cities; Loveagain.com attracts people who want to meet others who live near them. • Lifestyle – Flirt.com attracts members who want nothing too serious; cupid.com attracts more traditional types of user; Datingforparents.com attracts people with children. • Profession – Uniformdating.com attracts people in specific professions who wear uniforms. • Race – Indiandating.com brings people with an Indian background together. • Traditional dating – aimed at people looking for steady relationships eg Cupid.com • Casual dating – aimed at people who are not looking for a serious relationship | 4 | |

| Question | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|--|----------|---------------------|
| 3 | <p>Award a maximum of 4 marks for a diagram showing at least 2 correct drivers, 2 correct resistors, arrows of varying lengths pointing towards each other, and at least 1 correct asset for change.</p> <p>Award up to 4 marks for explanation of drivers and resistors. To gain a mark, candidates should indicate why the factor is a driver or resistor or an asset for change.</p> <p>Up to 4 marks should be allocated for analysis of the force field diagram and how it can be used to explain the decision to launch Loveagain in the USA. This could include comparison of the relative strengths of drivers and resistors and explanation of why, in this case, individual drivers outweighed individual resistors as far as Cupid was concerned.</p> <p>Drivers can include</p> <ul style="list-style-type: none"> • Huge market in US £1.2 billion • Gaps in the niche market • Matches can be accurate – which encourages success • Aiming for rapid growth • Provide specialist sites <p>Resistors</p> <ul style="list-style-type: none"> • Competition • Facebook is a risk • Cost – already spent £25 million to gain members <p>Assets</p> <ul style="list-style-type: none"> • mature dating is successful in the UK • already successfully launched other sites in the US • marketing of the sites both online and offline in the US • already have an office in San Francisco in the US – have information with customers and the market | 10 | |

| Question | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|---|----------|---------------------|
| 4 | <p>Award one mark for each point plus one mark for each development point. Award a maximum of 4 marks for general points about the benefits or costs of acquisition with no reference to the case study. A maximum of 6 marks should be given to answers which consider only costs or only benefits.</p> <p>Costs could include:</p> <ul style="list-style-type: none"> • It can be expensive eg it cost £2.9 million to buy AGL. • May not have full control eg Cupid owns 75% of the German sites; may lead to disagreements with other owners. • Language barrier eg sites in Germany and France will be not be in English. <p>Benefits could include:</p> <ul style="list-style-type: none"> • Can give Cupid a large slice of the market eg acquiring AGL gave them 14% of the French market. • Entry into new market eg WomenWeb allowed Cupid to enter Germany. • Acquiring an established site allows for profits to be made immediately eg WomenWeb and OnLineLiebe offer good short term revenues. • Buying a small company allows it to enter a potentially large market eg AondeNamoro allows entry into South America. • Cupid does not have to spend time and money establishing a presence in a new market eg Flirt.com in the US. • Don't have to pay for company up front eg Cupid paid for Allegran ltd in instalments. • Can take advantage of changes in population eg Indiandating allowed Cupid to target Indian ethnic market. | 8 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|--|---|----------|---------------------|
| 5 | | <p>Award one mark for each point plus one mark for each development point. Award a maximum of 3 marks for general points about using different platforms to satisfy customers.</p> <ul style="list-style-type: none"> • Using mobile phones – there are 6.8 billion mobile phone subscriptions in the world – a huge number of people who can access the sites. • Use the internet – 39% of the global population using the internet. • Being quick to adapt to new technologies and platforms to stay ahead of the competition – users are more likely to use Cupid; increases market share. • Users are incredibly diverse on how and where they choose to search for a partner – Cupid needs to offer varied ways to access sites. • Over 30% of all Cupid's registrations come from mobile devices – need to offer this platform or possibly miss out on a large market. • The mobile sites are easy, accessible and quick to use – users are looking for ease of use as using technology on the go. • Social media has overtaken emails as the number one activity on the web – if people use social media then obvious step is to use it for dating. | 6 | |
| 6 | | <p>Award one mark for each point plus one mark for each development point. Award a maximum of 3 marks for general points about selling off parts of a business.</p> <ul style="list-style-type: none"> • Received £45.1m for the sites – a lot of money; could use this money to reinvest in its mainstream sites. • Casual dating sites generated total sales of about £51m – total revenue was £80.9m so will lose out on revenue. • Casual dating sites are becoming increasingly explicit – does not want to be involved in that type of market. • Adult based content was putting off potential investors – lack of future finance. • Cupid will have more time and money to invest in its niche and traditional sites – make them better; will allow them to provide a better service which is what customers want. • Niche and traditional sites have less churn – fewer people leaving; customers tend to have longer outlooks and are more loyal – will keep using the same sites. | 6 | |

SECTION TWO

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 9 | (a) | <p>One mark for definition. Max 10 marks if only one sector addressed or generic social responsibility. However candidates can gain maximum marks if they state benefits refer to both sections, if appropriate.</p> <p>Definition: All organisations have a responsibility to their external stakeholders to adopt sustainable development principles that require taking moral responsibility for this and future generations and for the environment.</p> <ul style="list-style-type: none"> • Employees who are aware that their company operates in an ethical manner are more likely to be committed to the success of the company; therefore be more motivated and work harder. • Attracting good staff and retaining such staff in the long term is easier for a company with a good track record of behaving in an ethical manner; Supporting local charities often results in a more loyal workforce who are keen to stay with the company; thus cutting recruitment and retraining costs. • Ethical behaviour may attract employees whose commitment may lead to higher productivity, new ideas; which could translate into lower costs; more socially responsible ways of working (eg energy saving) etc. This could lead to increased efficiency for both organisations; ensuring increased profits for private sector; the ability to work within budget for the public sector. • May lead to innovation and new working methods which may minimise waste for both public and private sector organisations. | 13 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 9 | (a) | <p>(cont)</p> <ul style="list-style-type: none"> • By anticipating and adapting practices in advance of government directives, organisations can avoid incurring sudden costs; which may affect profits in the private sector; cash flow in the public sector. • Activities undertaken can be used in advertising and public relations eg to demonstrate commitment to the environment which may result in higher sales; and higher profits in the private sector; a better reputation in the public sector. However, backlash may occur if consumers or tax payers doubt the intentions of this or incur additional charges to implement them. • May provide publicity opportunities which firms can exploit eg photo opportunity. This may help them build a positive image for the organisation which can assist in defending any adverse publicity they may encounter. • May bring about free publicity eg reports in newspapers or TV, which will strengthen reputation; increase sales. • Increasingly more organisations are exposed to market pressures and are forced to adopt principles of quality and excellence. Adopting an SR stance will help achieve these outcomes. | | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 9 | (b) | <p>One mark per point and one for each development linked to effectiveness. Up to 3 marks may be given for each separate point. Maximum 7 marks for answers which make no link to effectiveness; No definition marks. Answers could be based on Mintzberg and/or Fayol and credit should be given for suitable references to them. Credit candidates who recognise that a manager's skills or qualities will often be dependent on how senior he/she is in the organisation.</p> <ul style="list-style-type: none"> • Planning – senior manager must be able to set out plans for future; ensure they fit in with company policy; plans must be clear so that all know what they are working towards. • Organising – a manager will need to ensure resources are in place to allow business to operate. Failure to do so can cause delays; increase costs. • Commanding – a manager will direct subordinates ie giving instructions so that tasks are carried out; unclear instructions will affect subordinates' ability to carry out tasks. • Co-ordinating – a manager will find and train staff to carry out the tasks; tasks will take longer if staff are not suitable for the role. • Controlling – a manager will use monitoring and evaluating to ensure things happen the way they were planned; take corrective action as necessary; identifying issues will reduce waste. • Communication skills – a senior manager must be able to communicate the strategic objectives of the organisation; be able to persuade other managers to communicate this to their subordinates; lower level manager will need to communicate tasks to be completed; poor communication will leave subordinates unsure of the goal. | 12 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 9 | (b) | <p>(cont)</p> <ul style="list-style-type: none"> • Negotiation skills are needed by a senior manager, with bodies such as Trade Unions to negotiate pay; lower level manager needs to negotiate with suppliers on prices of raw materials; if negotiation skills are poor, the company will pay more for raw materials; lead to increased costs. • Decision making skills (Mintzberg's decisional roles including resource allocation and disturbance handling) – managers will need to possess this quality as they must decide what resources will be needed; what to do if things do not work out as expected. They must also be able to take responsibility for their decisions; the more senior a manager the greater the accountability. • Self-confidence in the inability to deal with uncertainty; senior management may be viewed as a figurehead and so should instil confidence in staff. • Good time management will ensure activities are given the time and attention they deserve; improving the quality of the outcome. • By practicing good task management and employing suitable techniques managers will ensure that tasks are prioritised or delegated; to ensure completion is timely. • Adopting Eisenhower's matrix ensures that urgent tasks are undertaken but do not take up time which should be devoted to important tasks; managers are thus more effective as important work is not neglected. • By delegating to subordinates there should be no work overload; this will allow managers to focus on more important tasks; this will also allow staff to develop their abilities and so improve the effectiveness of the department. • Motivating staff should ensure that departmental and organisational objectives are more likely to be achieved; motivated staff are likely to be more productive. <p>Credit comparison of other personal qualities such as tolerance of failure, risk taking, creativity etc.</p> | (25) | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 10 | (a) | <p>One definition mark. Maximum of 5 marks per factor.</p> <ul style="list-style-type: none"> • Technological change, especially in communications technology – ICT makes it much easier for various parts of a company to communicate with each other; co-ordination between different facilities is easier, operations can be planned and monitored wherever they take place; this can allow companies greater freedom of location; eg UK businesses send data by satellite to India (taking advantage of the difference in time zones) where skilled but cheaper data handlers input the data and return it by satellite for the start of the UK working day; ICT can affect demand as well as supply – consumers can now buy from other countries through the Internet. • Improved transportation –goods can now be moved from one place to another much more quickly allowing suppliers worldwide to be considered; cheaper airlines ensure that it is much more cost effective to move personnel between countries. • Consumer tastes have changed, and consumers are more willing to try foreign products; Cheaper international travel and the arrival of global satellite television and the internet have exposed consumers to global advertising; Consumers are more aware of what is available in other countries, and are keen to give it a try; now companies can sell the same product on a much larger scale allowing their brand to become global. • Deregulation in trade and capital movements – growth of trading blocs like EU and work of WTO (and its predecessors) have led to a reduction in barriers to trade in goods and services; while free trade philosophy has also contributed to the removal of rules on flows of capital between countries. MNCs can thus switch funds between countries and move goods and service more easily. | 13 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 10 | (a) | <p>(cont)</p> <ul style="list-style-type: none"> • Economies of scale – companies can produce on a large scale and thus experience lower costs. They may be especially important in the development of new products where research costs may be very large as products become more sophisticated. MNCs are large enough both to have enough money for research and to sell enough of the final product to recover the money spent in development. • It is easier for MNCs to move between countries. This enables them to choose what they see as the best location eg where labour is cheap; where well-qualified staff are available; where environmental or anti-monopoly legislation is weak; where financial assistance is available from governments. • MNCs can take advantage of transfer pricing to increase overall profitability. • Desire to increase market share – saturation of markets in countries such as the UK and the USA has caused firms to look abroad to attract a wider range of customers. • Emerging markets in developing countries. There has been high growth of incomes in these countries, which makes large consumer markets with money to spend; Indonesia, for example, whilst still not particularly rich, has 350 m consumers; Both India and China are very poor countries, but there are small middle classes who are doing very well and have money to spend; Although these groups are small in the context of the country, the overall populations are so huge (over 1 bn) that a small middle class adds up to many millions of consumers. Eg coca cola – producing in India. • Availability of resources – often easier to produce goods near the supply of raw materials eg minerals in Africa. | | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 10 | (b) | <p>One mark per point and one for each development. Maximum 7 marks for discussion of either ideas or relevance.</p> <p>IDEAS</p> <ul style="list-style-type: none"> • The Classical School is based on Scientific Management which emphasised efficiency above all things; extensive division of labour was used; researchers such as Taylor carried out time and motion studies to find out the best way of doing a task; then set a standard rate of pay (piece rate). • The Classical School had a mechanistic view of workers; it believed that employees were interested only in money; “fair day’s pay for a fair day’s work”. • Classical writers said the ideal organisation was a hierarchy (bureaucracy) with clearly defined rules and procedures; initiative was discouraged; managers were responsible for thinking, workers for obeying instructions; workers were closely supervised to ensure that instructions were obeyed and procedures followed; division of labour was important to improve effectiveness; credit reference to other relevant ideas eg Max Weber and bureaucracy. • Fayol believed managers should undertake 5 functions eg planning, commanding etc; • Fayol believed these could be applied to any business regardless of its size. • Classical theory ignored the effect of external factors on the organisation. | 12 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 10 | (b) | <p>(cont)</p> <p>IMPACT</p> <ul style="list-style-type: none"> • Still relevant in manufacturing industries which have routine processes and require a standardised output. Many modern techniques like lean production and business process re-engineering are based on the principles of scientific management eg attempts to measure the time it takes to get an order to a customer and to reduce the time spent on each of the steps in the processes involved; on assembly lines tasks are split into small parts which results in specialisation for workers. Elements of Scientific Management can also apply to service sector industries such as fast food outlets, so that a uniform service is provided throughout all branches; eg supermarket check-out operators may be trained in the precise way they have to deal with customers eg make eye contact, offer help with packing etc. • No matter what other methods are used, money will always have some effect on motivation; eg sales people are often paid commission to encourage them to sell more; unpaid workers won't work and underpaid ones won't work hard enough (credit reference to Herzberg's hygiene factors). • The Classical Approach has been criticised for demotivating workers by treating them like machines; division of labour can lead to boring, repetitive work and worker alienation as workers feel themselves to be small cogs in a large machine where they never see the end product; Mayo's Hawthorne experiments proved that workers were not motivated purely by rational means; this led to the Human Relations School which stressed the importance of non-financial motivators to meet worker's socio psychological needs. • Less relevant in creative industries eg marketing, where employees' ideas are encouraged. | (25) | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 11 | (a) | <p>Award a maximum of 7 marks for describing the stages of change. To gain full marks answers must assess the importance of effective change management.</p> <p>Credit should be given to candidates who recognise alternative explanations of the stages of change (eg preparation and evaluation).</p> <p>DESCRIPTION</p> <ul style="list-style-type: none"> • Kurt Lewin argued that the change process could be broken down into 3 steps unfreezing, changing and refreezing: • Unfreezing – recognising the need for change; defining the problem; identifying how the problem is affecting the company; looking for alternatives; preparing for change by breaking down beliefs and assumptions that currently exist and opening up need for change. • Changing – implementing and managing the process of change to achieve the desired outcome; developing new behaviours and values through changes in organisation structures and processes; realising when the goals have been met. • Refreezing – reinforcing the change; consolidating the new state now that changes have been successfully implemented; ensuring organisation doesn't regress to old ways. | 13 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 11 | (a) | <p>(cont)</p> <p>IMPORTANCE</p> <ul style="list-style-type: none"> • By reducing the impact of barriers to change eg during unfreezing it will encourage a smooth transition to the new environment. • Good communication will ensure people know what will happen; They will 'buy into it' and the changes are more likely to be successful. • Any new system will be better understood allowing an organisation to support the changes implemented eg during refreezing. • Letting individuals know how the changes will affect them eg during the changing stages the organisation can keep people up-to-date with developments; provide answers to questions allaying concerns and subsequent resistance during changing stage. • Letting individuals know the role they must play and equipping them to play their new role – eg by training at the unfreezing stage and during changing helps motivate staff and ensure their commitment to the change through involving them in the change during all three stages; negotiating and consulting with staff; offering rewards. • However, if change is not properly managed employees can become demoralised; worried about their positions; hinder change through industrial action. <p>Credit reference to use of change agent.</p> | | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 11 | (b) | <p>Max 8 per section. Within each section max 4 for description.</p> <p>SOCIAL CHAPTER</p> <p>Part of the Maastricht treaty aimed to develop common social and employment policies on issues such as free movement of workers between member states; fair remuneration (minimum wage); improvement in living and working conditions eg health and safety legislation; employee representation – rights of workers to be informed, consulted and to participate (works councils); freedom of association and collective bargaining, training opportunities, equal treatment of both genders, protection of health and safety in the workplace; protection of adolescents, elderly and disabled.</p> <p>EU Directives based on this are binding on all signatories. Eg European Works Council Directive, Directive on Family Leave, Pregnant Workers Directive, Directive for Workers on Fixed Term Contracts, Part-time Work Directive.</p> <p>IMPACT</p> <ul style="list-style-type: none"> • Having to consult works councils about future plans such as redundancies may lengthen the decision-making process; many plans have to be changed to accommodate workers' views. • Costs will increase because temporary workers must be found to cover parental leave. • Greater employment rights for part-time workers has increased the cost of employing them. • Greater emphasis on employee protection legislation increases costs of training and compliance with directives. • Working time directive means workers cannot work for more than 48 hours a week – means firms have to take on more staff. • All workers now have a right to 4 weeks of paid holiday a year, increasing costs. • Protection and extension of workers' rights may improve motivation and productivity. • Increased worker participation through works councils could enhance commitment and lead to better quality decisions; reducing worker resistance and industrial relations issues. • UK businesses may struggle to compete with countries which do not have to meet these requirements. | 12 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 11 | (b) | <p>(cont)</p> <p>TRANSFER PRICING</p> <p>This refers to the figure used when goods or services are transferred from one branch of a multinational company in one country to another branch of the same MNC located in another country; eg prices charged by a subsidiary for supplying goods to the main company. A transfer price is determined by the company and not influenced by market forces; it relates to an internal transfer of goods or services.</p> <p>IMPORTANCE</p> <ul style="list-style-type: none"> • It may lead to a reduction in the tax paid on profits eg a MNC may fix high transfer prices on goods/services coming from branches based in high tax countries. By doing so the costs of production in the high tax country will be increased, narrowing profit margins and so reducing the final tax payable. On the other hand, a MNC may set low prices for goods/services coming from low tax countries – this reduces costs of production. This will make profits higher in those countries than they would otherwise have been but the amount of tax to be paid is relatively small, so the overall tax payable by the company is minimised. • MNCs can manipulate prices for goods sold eg if the MNC sells goods from a central point. In this case, it must fix a transfer price which the central department will pay to the producing branch. This may be high for low tax countries (as this will boost profits) and low for high tax countries (to reduce profits and thus pay less tax). • The net effect is an increase in profit after tax for MNCs. This, in turn, may enable the company to increase investment, spend more on research, expand more widely, pay bigger dividends to shareholders etc. • These strategies may be influenced by the effect they may have on the MNC's standing in a particular country eg if it is seen as evading taxes it may get adverse publicity; if it is seen as a significant contributor to taxation revenue it may improve relations with government. • Transfer pricing may also have an impact in that it can be used to influence managerial behaviour and the development of the company eg managers in one subsidiary can be given an incentive to buy from another branch by a low transfer price or to sell to another branch by a high transfer price. | (25) | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 12 | (a) | <p>Maximum 7 marks for candidates that do not assess impact.</p> <p>ECONOMIC POLICY</p> <ul style="list-style-type: none"> • Monetary policy – increases in interest rates put up cost of borrowing, negatively affecting cash flow and profits; firms may try to reduce dependency on borrowed funds eg by selling more shares, or retaining more profit to finance capital expenditure; reductions in interest rates make borrowing cheaper and may encourage firms to borrow to expand; Bank of England pump money into economy to boost spending (quantitative easing). • Fiscal policy – income tax increases reduce disposable income and hence demand; firms may devise ways to attract customers eg advertising campaign, sales promotion; increases in VAT and excise duties add to the price the consumer pays; firms may decide to bear part or all of the cost of increases themselves, reducing their profit margins; increases in corporation tax reduce firms' net profit after tax and could cause them to put expansion plans on hold; a fall in any of these taxes would have a beneficial effect, reduced income tax allowing consumers to spend more, reduced VAT stimulating demand by making prices lower and reduced corporation tax allowing the firm to keep a bigger share of its profit to finance its future plans. <p>LEGISLATION</p> <ul style="list-style-type: none"> • Consumer protection legislation sets standards of hygiene and safety; compliance may increase firms' costs; if pressure on firms to improve standards leads to a better quality product this could increase a firm's sales in the long run. • Employment legislation reduces firm's flexibility eg the working time directive preventing firms' requiring their employees to work more than 48 hours a week; law restricts a firm's ability to fire employees eg verbal and written warnings must be given, redundancy used only if a job ceases to exist and compensation must be given; recent extension of maternity leave to one year means firms have to keep jobs open and find temporary replacements. • Equality legislation – firms have to train employees to comply with legislation on sex, race, disability and age discrimination. • Health and Safety legislation – cost of training; inspection; alterations to premises eg installation of ramps. | 12 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|---|----------|---------------------|
| 12 | (a) | <p>(cont)</p> <p>FINANCIAL ASSISTANCE</p> <ul style="list-style-type: none"> • Provide direct financial help to stop businesses going bankrupt; government loans to secure jobs; funding to provide jobs and apprenticeships • Government support schemes to encourage spending on particular things eg government grants to homeowners to increase spending eg 50-100% off loft insulation. • These schemes may help manufacturers and suppliers to sell more goods and/or services which may help them to survive. • However, too much bureaucracy makes it difficult for industry to access aid. | | |
| 12 | (b) | <p>One mark for definition of either non-financial incentives or motivation. Credit all references to Herzberg and Maslow. Max 8 for general points.</p> <p>The Hawthorne Studies showed that workers were motivated by non-monetary factors and that jobs needed to be designed to take these factors into account; if jobs do not meet people's needs, then workers will not reach their potential, and the organisation is likely to be affected by absenteeism and a lack of quality at work; the influence of management theorists, especially Maslow and Herzberg, is strongly evident in many of the non-financial incentives that can be used by managers as motivators.</p> <p>JOB DESIGN</p> <ul style="list-style-type: none"> • The purpose is to stimulate the worker's interest and involvement in order to motivate the worker. It decides which tasks and responsibilities should be taken on by particular workers the methods, the systems and procedures for carrying out the work and where accountability and authority lie; a job should allow workers to achieve the satisfaction that they have completed a whole product or process well; increase in tasks available in order that workers remain interested in their work; workers should have control over work methods and sequence and speed of work; social interaction should be allowed along with the opportunity of working in a group. However employees may resent changes to their job and might not want extra duties; assessing whether job redesign has positively affected productivity can be difficult. | 13 | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 12 | (b) | <p>(cont)</p> <p>JOB ENLARGEMENT</p> <ul style="list-style-type: none"> This involves merging a number of simplified tasks of a similar nature to provide an extended range of work. It adds a wider range of similar duties to the job seeking to motivate the worker by reversing the process of specialisation. In this way unit tasks are regrouped rather than seeking to improve the work itself. As a result of the broader range of tasks involved, the perceived meaningfulness of the work is increased for the worker and they are more likely to see the significance of the job in the broader organisation. However it could reduce efficiency if the worker's productivity is decreased as a result of carrying out more tasks. <p>JOB ROTATION</p> <ul style="list-style-type: none"> This involves rotating the jobs that workers do. It permits greater variety for individuals by moving them between jobs. This could mean that unpleasant or monotonous jobs are shared and that certain workers are not permanently allocated to them. For some workers this variety improves motivation. However some workers may feel their job security is threatened if workers become interchangeable. <p>EMPOWERMENT</p> <ul style="list-style-type: none"> The basis of empowerment is involving workers in decision-making whether relating to the direction of the organisation or operational issues. It provides employees with a stronger view of the 'whole picture' and their part in it. People are recognised as an asset to the company and encouraged to fulfil their potential while at work. The most common way of empowering employees is to encourage them to work in teams and relate the team's vision to the organisation. | | |

| Question | | Expected Answer(s) | Max Mark | Additional Guidance |
|----------|-----|--|----------|---------------------|
| 12 | (b) | <p>(cont)</p> <p>JOB ENRICHMENT</p> <ul style="list-style-type: none"> This involves the allocation of more interesting, challenging, perhaps more difficult duties to workers in order to stimulate their sense of participation in achieving objectives; it came out of work by Herzberg who showed that such 'motivators' could bring about job satisfaction; an example might be in a manufacturing plant where a production worker who carries out routine jobs may also be asked to do machine maintenance, machine setting or inspection; changes like these can enhance workers' skills and enable them to deal with complete tasks rather than highly fragmented ones; genuine job enrichment provides new tasks for the worker that would normally have been carried out by supervisors or specialist workers; different workers respond differently to job enrichment but it has been found to be very successful in administration and technical jobs. <p>GROUP WORKING</p> <ul style="list-style-type: none"> There are great social and psychological gains in co-operatively working in teams (see Human/Neo-Human Relations Schools of Management). Group tasks tend to be based on complete operations and involve greater complexity and variety than fragmented ones; groups can be self-regulating, which reduces the need for supervision and increases individual members' feeling of control; it can be beneficial for the group to arrange job rotation and fair allocation of tasks themselves. <p>QUALITY CIRCLES</p> <p>Workers from the same area meet voluntarily to discuss, analyse and solve their own work-related problems. Their solutions are presented to management and the group are normally responsible for implementing and monitoring changes which they have suggested. However to ensure staff are motivated through this scheme, businesses must want to have worker participation and decision-making, workers need to support the scheme, the members need to be trained in problem-solving, communication and team-working, workers must feel that their views within the circle are valued.</p> | (25) | |

[END OF MARKING INSTRUCTIONS]