

**GCE**

**Business Studies**

Unit **F295**: People in Organisations

Advanced GCE

**Mark Scheme for June 2016**

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

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

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## 1. Annotations

Annotation	Meaning
	Correct
	Incorrect
	Not sure what the candidate is trying to say or it does not make sense.
<b>BOD</b>	Benefit of doubt given
<b>L1</b> <b>L2</b> <b>L3</b> <b>L4</b>	Levels of response awarded at this point
<b>OFR</b>	Own figure rule
<b>TV</b>	Too vague
<b>NAQ</b>	Not answered the question
<b>NUT</b>	Not used the context (generic)
<b>REP</b>	Repetition. The candidate has merely restated what has already been said and so no further credit given.
<b>SEEN</b>	The page has been seen. This can be used on pages where no other annotation is appropriate.

Question	Answer	Marks	Guidance
1	<p>He has estimated that a 15% increase in the firm's training budget (currently a total of £4300) would increase productivity the profit from shops 1 2 and 3 by 20% once the new products are in place." Assuming that he is correct in this view calculate:</p> <p><b>(i) The new value for the training budget</b></p> <p>Current figure £4,300</p> <p><math>£4,300 \times 1.15 = £4,945</math> (1)</p> <p><b>Allow one mark with no £ sign</b></p> <p><b>(ii) The increase in the total value of MTL's profits from shops 1, 2 and 3</b></p> <p>Current profit is £ 30,500 (1)</p> <p><math>£30,500 \times 1.2 = £36,600</math> (1)</p> <p>Difference is <math>£36,600 - 30,500 = £6100</math> (1)</p> <p style="text-align: right;"><b>OFR</b></p>	<p style="text-align: center;">1</p> <p style="text-align: center;">3</p>	

Question		Answer	Mark	Guidance	
				Content	Levels of response
2		<p><b>Analyse two reasons why an increase in the training budget might increase the profits in shops 1, 2 and 3</b></p> <p>Essentially the skills trained will be centred around dealing with customers. Allow any valid answers (although they do not have to be phrased like this) relating to skills such as which must be clearly linked to the possibility of sales increasing and hence profits:</p> <ul style="list-style-type: none"> <li>• <b>(Confidence in) dealing with customers:</b> to make contact and strike up a conversation with a stranger is important.</li> <li>• <b>The ability to provide information</b> about MTL's products when asked.</li> <li>• <b>Decision making/autonomy</b> - customers are not always rational and may ask for a discount if a product is slightly damaged. Employees need to know whether they can make that sort of decision and the extent of their discretion. Reference is made to this in Nic's proposals for change.</li> <li>• <b>Ability to be 'friendly'/'nice'</b> customers can tell when an employee is forcing themselves to be nice. It is useful to have a topic of conversation 'up your sleeve' especially if there is a problem.</li> <li>• <b>How to deal with awkward customers</b> – complaining about products, pricing, the level of service etc. An unhelpful attitude is not going to make a sale or bring repeat business.</li> <li>• <b>Keeping a positive outlook:</b> The ability to generate a 'can do' attitude is important. This comes partly from a sound knowledge of MTL's products &amp; procedures and partly from employee motivation.</li> </ul>	6	<p><b>For L3 there needs to be a clear link to why these skills are important/necessary to MTL (not just to the employee)</b> e.g. selling more toys in a competitive market where they are struggling, in order to meet the strategic objectives, knowledge of a whole new product range of games, in order to sell it effectively and build up a customer base, the skills necessary for working in a group, the importance of customer service as a USP for the business.</p> <p>Generic answers explaining that with the skills employees can gain and so 'do their jobs better/faster/more efficiently' etc will only be rewardable at L2.</p> <p>NB: Answers relating to benefits/disadvantages of 'on the job' 'versus off the job' should only be rewarded at L1.</p> <p>Exemplar response – L3 <i>Through better training on</i></p>	<p><b>Level 3: 6-5 Marks</b> Candidate demonstrates analytical skills when considering how the increase in training might lead to an increase in profits for MTL.</p> <p><b>Level 2: 4-3 Marks</b> Candidate is able to explain the benefit(s) of training. <b>No context required.</b></p> <p><b>Level 1: 2-1 Marks</b> Candidate offers relevant knowledge of purpose and/or nature of training.</p>

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			<ul style="list-style-type: none"> <li>• <b>Empathy:</b> trying to see something through the eyes of a customer can assist in offering good service.</li> <li>• <b>“How to work in a team”/Teambuilding etc.</b> Allow reference to this since this will be part of ‘the new regime’</li> </ul> <p>Since there is now going to be emphasis on working in a team then skills of cooperation and not just doing one job will be necessary therefore a ‘sales assistant’ at MTL might now have to be concerned with ordering etc.</p>		<p><i>skills and knowledge about games consoles MTL will be able to provide a better and friendly service to their customers which may lead to repeat customers</i></p> <p>2 ways analysed = 6 marks  1 way analysed = 5 marks  2 ways understood = 4 marks  1 way understood = 3 marks  2 ways stated = 2 marks  1 way stated = 1 mark</p>	

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3		<p><b>Evaluate Nic's view that employees working in groups would be beneficial for MTL.</b></p> <p><b><u>Positive points</u></b></p> <ul style="list-style-type: none"> <li>• Groups offer support and encouragement to members.</li> <li>• Greater sense of teamwork rather than just being 'an employee at MTL'</li> <li>• Shared experience/knowledge of (effective/ineffective) ways of carrying out a task</li> <li>• Where a group has a common goal, members can gain recognition and self-esteem through their contribution to it. The groups will have autonomy (reference to theorists such Maslow, Herzberg, Mayo, Peters) and this can help motivate.</li> <li>• Better communication. Everyone will know what to do at the start of a shift. Also when employees work together in solving a problem/making a decision, they will understand why the solution was arrived at. Communication enhances decision making allowing them to be innovative and competitive to gain back market share.</li> <li>• If there is a formal 'review' at the end of each shift communication should improve and any issues to do with (say) stock control, customer service can be sorted out and improved quickly.</li> </ul> <p><b><u>Negative points</u></b></p> <ul style="list-style-type: none"> <li>• How will Nic 'sell the idea' to managers and employees? What if they do not like the change in their role? What if they do not like the change in working hours?</li> </ul>	13		<p><b>Level 4: 13-9 marks</b> Candidate demonstrates evaluative skills when considering the implications of group working at MTL.</p> <p><b>Level 3: 8-6 marks</b> Candidate demonstrates analytical skills when considering the implications of group working at MTL.</p> <p><b>Level 2: 5-3 marks</b> Candidate explains implications of group working. <b>No context required.</b></p> <p><b>Level 1: 2-1 marks</b> Candidate offers theoretical knowledge of group working.</p> <p><b><u>Default marks</u></b></p> <p>L4 – 11 L3 – 7 L2 – 4 L1 – 2</p> <p>The bottom mark in each level <b>MUST</b> only be used for a BOD answer at that level.</p>

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			<ul style="list-style-type: none"> <li>• Nic needs to realise that employees cannot just be 'put into groups and given autonomy'. There will need to be training. He is planning to increase the budget but when will this training be done? In work time? After the shops have closed? Will the employees be paid to attend?</li> <li>• Nic will need to accept that even with training employees may make mistakes or misunderstand the nature of their autonomy and 'get things wrong'.</li> <li>• The whole idea may be treated with suspicion and/or indifference since if shop 4 is closing then there may be a feeling of 'whatever he says it's us next'.</li> <li>• How much scope for autonomy is there in this sort of business?</li> <li>• New employees will need to be taken on. Will sales be outweighed by costs?</li> <li>• Not all of the increase in the training budget (£645 which seems a very small amount) will be spent on teamwork/teambuilding. Will this be sufficient to impart the skills necessary to do this?</li> </ul>			



Question		Answer	Mark	Guidance	
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4		<p><b>Analyse one reason why using workforce performance data may be problematic for MTL.</b></p> <p>There is a range of data that Nic could use: absenteeism, lateness, labour turnover etc. Also allow references to sales/revenue/profit <i>as long as this linked in some way to employees e.g. "sales revenue per employee"</i></p> <p><b>Possible problems:</b></p> <ul style="list-style-type: none"> <li>• <b>What are the most appropriate statistics to use? Why? -</b> Will there be discussions with the managers over this? What if there is a disagreement?</li> <li>• <b>How useful will shop level statistics be? –</b> high or low figures may be due to one or two employees. Would individual records for each employee be better? If so how will these be recorded?</li> <li>• <b>Sales may be outside of an employees' control</b> e.g. due to economic situation/online purchasing/the weather. Poor figures may not necessarily be due to ineffective employees</li> <li>• <b>Opposition from Managers/Deputy managers at shops –</b> How often will these statistics be submitted? Opportunity cost of their time. Need to get managers 'onside' before it starts. Is this too much given all the changes that are occurring?</li> <li>• <b>There is a need for consistency</b> – if lateness is one statistic then there must be an agreed time (say 10 minutes) after which an employee is late. Similarly there need s to be a clear policy on what constitutes absenteeism'. Will all stores sell exactly the same products? (Indeed are all stores the same size nad have the same number of employees?) If not how useful will the statistics be to Nic?</li> </ul>	6	<p>Only one piece of evidence of a particular skill is necessary to score the top mark in any level. The mark at the bottom of the level should only be used for a BOD answer.</p>	<p><b>Level 3: 6-5 Marks</b> Candidate demonstrates analytical skills when considering a reason why using workforce performance data may be a problem for MTL.</p> <p><b>Level 2: 4-3 Marks</b> Candidate is able to explain a reason why using workforce performance data may be a problem. <b>No context required.</b></p> <p><b>Level 1: 2-1 Marks</b> Candidate offers relevant knowledge of a way of, and/or reasons for analysing employee performance.</p>

Question			Answer	Mark	Guidance	
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			<ul style="list-style-type: none"> <li>• <b>Opposition from the employees</b> - who may regard the process as 'spying'; likely effects on morale/motivation?</li> <li>• <b>Opportunity cost of Nic's time when drawing up how it will be implemented and then viewing the statistics once gathered</b> – has he got better things to do such as overseeing the sale of the shop and sourcing the new sportswear with all the other changes going on?</li> </ul>			

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5		<p><b>Discuss possible implications for MTL of introducing an annual bonus for employees based on the level of company profits.</b></p> <p><b><u>Positive aspects</u></b></p> <ul style="list-style-type: none"> <li>Taylor's view that money motivates therefore employees more productive (NB easy to measure in a service based firm?).</li> <li>According to Maslow money is a security need and a 'bonus on top of basic pay' may reinforce basic needs - especially if the labour market position is weak - again improving productivity.</li> <li>Will not involve a huge increase in work/effort for MTL's employees to get the bonus apart from familiarisation with new products and stock control system especially as training will be provided. This could therefore assist Nic in achieving the changes.</li> <li>May (help) offset negative effects on morale that are occurring due to the closure and other changes.</li> </ul> <p><b><u>Negative aspects</u></b></p> <ul style="list-style-type: none"> <li>The firm has barely broken even for years and has now made a loss so how likely is it that any bonus will get paid at all?!</li> <li>Nic's changes may take a while to work. Even if Nic is right about profit increasing after the changes and training (a modest increase of £6100, - although of course increased sales of new products could boost this figure) this is not going to make much difference to overall profit and hence the amount of bonus. If this is the case then in the early years of the scheme at least employees may feel that any bonus (with tax to be deducted) may insult rather than motivate.</li> </ul>	13	<p>Top half of L4 for both sides of the argument which demonstrate evaluative skills.</p> <p>Award L4 for discussion around the amount of bonus they could potentially receive, or ranking the implications.</p> <p>Exemplar L3/L4 <i>Given that MTL are not making a lot of profit at the moment this means the actual bonus that employees receive is actually quite small. Therefore it could be argued as to whether a bonus would be worthwhile or could MTL be better offering another type of remuneration.</i></p>	<p><b>Level 4: 13-9 marks</b> Candidate demonstrates evaluative skills when considering the implication(s) of a profit related bonus scheme at MTL.</p> <p><b>Level 3: 8-6 marks</b> Candidate demonstrates analytical skills when considering the implication(s) of a profit related bonus scheme at MTL.</p> <p><b>Level 2: 5-3 marks</b> Candidate explains implication(s) of a profit related bonus scheme. <b>No context required.</b></p> <p><b>Level 1: 2-1 marks</b> Candidate offers theoretical knowledge of a bonus scheme.</p> <p><b><u>Default marks</u></b></p> <p>L4 – 11 L3 – 7 L2 – 4 L1 – 2</p>

Question			Answer	Mark	Guidance	
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			<ul style="list-style-type: none"> <li>• How will Nic 'sell it' to the board and then the staff? Need to get store managers/supervisors 'on board' and convince them it will be worth it (see above regarding 'not much effort'.) He will have to do this soon.</li> <li>• Will everyone at MTL get the same amount? Will it be linked to current salary? Will length of service be considered? If not thought through, these issues can be very divisive.</li> <li>• What if the firm is not very profitable and funds are needed for expansion or some other purpose? Implications of need to retain profit. Easy for Nic to explain/justify any decision to pay a lower bonus because of this?</li> <li>• 'Free rider problem' – if bonus is based on company profits rather than individual effort some (many?) employees may reason that 'working hard is pointless because someone else will/can do it'.</li> </ul>			<p>The bottom mark in each level <b>MUST</b> only be used for a BOD answer at that level.</p>

Question	Answer	Mark	Guidance	
			Content	Levels of response
6*	<p><b>Considering human resources and other issues, should MTL close shop number 4? Justify your view.</b></p> <p><b><u>HRM</u></b></p> <ul style="list-style-type: none"> <li>• Redundancy/early retirement issues. Voluntary/compulsory – consultation. When will it take place? Need to ensure legal/ACAS requirements are complied with e.g. transparent policy, appeals procedure.</li> <li>• Hopefully Nic will able to redeploy some staff to remaining shops. On what basis?</li> <li>• Negative effect on motivation/morale of rest of firm. Therefore, lower productivity and worse labour turnover. More absenteeism?</li> <li>• Better communication/company organisation as there will be fewer branches – how significant a gain would this be? MTL is hardly a multinational!</li> </ul> <p><b><u>Operations Management</u></b></p> <ul style="list-style-type: none"> <li>• Fixed overheads will remain unchanged (unless some of the loan can be paid back and interest payments reduced). Implications of this on other profit centres (shops)? NB Also allow this point under Finance.</li> <li>• Loss of purchasing economies of scale as now only three shops– but how significant are these likely to be anyway?</li> </ul> <p><b><u>Marketing</u></b></p> <ul style="list-style-type: none"> <li>• Poor company image. PR issues. Some local (bad) publicity may negatively affect sales. Could be argued this will ‘blow over’ relatively quickly. Would people really care and adjust purchasing behaviour?</li> </ul>	18	<p>Candidates might well want to question the nature of the figures in Table 1. There is only a single year’s data here. What were figures like in previous years? Surely we need a trend. The figures relate to revenue and not profit. This is an issue that could potentially lead to a Level 4 answer.</p> <p>An answer which only includes <b>or</b> does not include HR should only be awarded the lowest mark in the appropriate level.</p> <p>A one-sided argument cannot achieve a L4 mark.</p>	<p><b>Level 4: 18–13 marks</b> Candidate demonstrates evaluative skills when discussing whether MTL should close shop 4.</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter, Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p><b>Level 3: 12–7 marks</b> Candidate demonstrates analytical skills when considering whether MTL should close shop 4.</p> <p>Relative straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p><b>Level 2: 6–3 marks</b> Candidate demonstrates an</p>

Question			Answer	Mark	Guidance	
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			<ul style="list-style-type: none"> <li>Image of three remaining shops needs to be changed. Additional marketing expenditure on this. Who will undertake the necessary planning for this work?</li> <li>Effect on prices in the other shops. Can they be lowered as a result of the closures? How price elastic are products? Do not want to go through vast changes only to find that revenue falls considerably.</li> </ul> <p><b><u>Finance</u></b></p> <ul style="list-style-type: none"> <li>Fits with company objective – it could be argued that this might be the only action that is likely to result in its achievement. Having said that the net loss in revenue will be (on current figures) £101,000 - £30,080 = £70,920 but?</li> <li>Is the right store being closed? Profit is lowest but if Nic is right about the new product range this might be the store that sells the most given its location.</li> <li>Redundancy payments – possibly a high short term cost. Need to make sure that ‘generous redundancy and early retirement packages’ do not offset too much of any cost saving</li> <li>Likelihood of some sort of penalty clause if loans are repaid early, but if radical action is needed then hopefully it will be worth it in the long term.</li> <li>Interest payments reduced, however the money from the sale of the shops might not ‘dovetail’ with the launch of the sports equipment. There may be a need for short term finance.</li> <li>How easily/quickly will Nic be able to sell?</li> <li>Shop 4 makes a positive contribution to overheads, so what would be the impact of overall profitability</li> </ul>		Poor QWC cannot prevent a candidate from accessing any level, but within any individual level QWC can affect, by up to 2 marks, the final mark given.	<p>understanding of issues concerning closure of part of a business.</p> <p><b>No context required.</b></p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p><b>Level 1: 2–1 marks</b> Candidate offers relevant knowledge of closure of a business.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.</p> <p><b><u>Default marks</u></b></p> <p>L4 – 16 L3 – 10 L2 – 5 L1 – 2</p> <p>The bottom mark in each level <b>MUST</b> only be used for a BOD answer at that level.</p>

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