OXFORD AQA
INTERNATIONAL QUALIFICATIONS

INTERNATIONAL A-LEVEL

BUSINESS

BU03

Unit 3 Business Strategy

Mark scheme

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Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level.
The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in some questions more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should summarise your judgement briefly at the end of each response. This will help you decide on the overall level and is helpful for others to understand the mark given. Ensure the comments fit with the level awarded and the language of the level descriptors used in the mark scheme. Next to your comment put the level awarded, eg L4. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
1	**1**	Using the data in **Table 1**, calculate the current ratio for ACD. **0.8 or 0.8:1 or 80% (3)** Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$ (1) Current assets = 86 000 + 150 000 + 500 000 = 736 000 (1) Current ratio = $\frac{736\,000}{920\,000}$ (1) If answer given is 0.8%, award 2 marks OFR applies	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
1	2	Analyse **one** impact of disruptive change on ACD's profitability. **Indicative content** • Disruptive change means a sudden or significant change to a business or industry. • Disruptive change is likely to require a lot of investment into research and development, such as new products in the health care market. This will raise the costs for ACD and, if prices remain the same, profitability will fall. • Disruptive change could cause ACD to respond with the development of new and innovative products such as smart watches and fitness trackers. By keeping up-to-date with the latest developments and trends in the market, ACD's products could become more price inelastic, allowing higher prices to be charged. If prices rise faster than costs, this could increase ACD's profitability. Credit valid alternative content. **Good response (4 marks)** Analyses one impact of disruptive change to the profitability of ACD. **Reasonable response (3–2 marks)** Shows knowledge of disruptive change in the context of ACD but fails to link to profitability. **Limited response (1 mark)** Demonstrates knowledge of one of the key issues in the question, such as disruptive change or profitability.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
1	3	Using **Figure 1**, analyse **two** benefits to ACD of using stakeholder mapping.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	7–9	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4–6	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1–3	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse two benefits,
- of stakeholder mapping,
- in the context of ACD.

Indicative content

- Stakeholder mapping involves plotting stakeholders on a set of axes, based on the power they have over the business and the interest they show to the business.
- ACD could identify stakeholder groups with high power and high interest, such as employees. This group should be managed closely, and therefore identifying them, could ensure that ACD consider their opinions and thoughts before making decisions. This can minimise the chance of angering a group of key stakeholders.
- Groups with high power but currently lower interest could also be identified, such as the Government. This group could significantly impact the ability of ACD to operate. Despite currently having low interest, if ACD took actions which the government did not agree with or like, this could result in the government putting pressure on the business or taking more of an interest in its actions.
- Groups with low power could be identified, such as suppliers. ACD could ensure it focuses its attention on other groups, rather than spending time considering the views and thoughts of this group. This could ensure that managers are able to concentrate on the more influential stakeholder groups.
- Customers could be identified as having high interest. ACD may therefore regularly keep them informed of issues such as new product development (smart watches). This would ensure that customers remain interested in ACD; potentially increasing future sales.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
1	**4**	The management team feels that ACD must diversify to achieve high profits. Do you agree? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10–12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.

3	**7–9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.
2	**4–6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1–3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse whether diversification is necessary,
- to achieve high profits for ACD,
- and make a judgement.

Indicative content

Arguments for

- Diversification is part of Ansoff's Matrix and involves selling new products to a new market.
- ACD has saturated its market. Diversification will allow ACD to sell new products which are likely to experience faster growth and in new markets. The products are therefore likely to be more inelastic in terms of the price elasticity. This means that the profits of the business will rise.
- A lot of the same technology could be used across the educational products as well as the health care products. This means that ACD could negotiate better deals with its suppliers for parts, lowering variable costs and increasing profits.
- Fixed costs such as managers could be spread over more units, as they could oversee multiple products. This could reduce the cost per unit of the different devices and increase the profits.

Arguments against

- ACD is unfamiliar with these products so a large amount may need to be spent on research and development into the health care industry. This could increase fixed costs and therefore reduce profits.
- Diversification suggests that the market is also new to ACD. It has not sold to consumers directly, as its education products were sold to schools. It may therefore need to conduct a lot of market research to understand this market better and increase the chances of success. This could increase costs and reduce profits.
- The education market may experience growth again, making diversification unnecessary. It is also uncertain that the health care market will continue to grow. If that is the case, higher prices could not be charged.
- The growing health care market could attract more competitors. With higher competitions, prices would need to be lower, meaning the business may not achieve higher profits.

Potential judgement

- If ACD can move into the health care market quickly and achieve first mover advantage, it could benefit from becoming more price inelastic, allowing higher profits to be achieved.
- If the technology is very different to that in the education market, the costs may be too high and therefore profit may fall if higher prices cannot be charged for this technology.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
1	5	Some managers feel that coercion is the best way to overcome the resistance to change. Do you agree? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10–12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7–9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4–6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1–3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse whether coercion will be effective,
- when overcoming resistance to change,
- and make a judgement as to whether this is the best way to overcome the resistance.

Indicative content

Arguments for

- Coercion is part of Kottler and Schlesinger's model, overcoming resistance to change. It involves threatening staff to manipulate them.
- The change may need to be implemented quickly for ACD to be flexible and responsive to changes in the market; particularly due to the skill mismatches in the business.
- Threatening workers with redundancy could allow them to come on board with the changes quicker, which could allow ACD to enter the heath care market quickly and ensure they gain market share. Given they are concerned about job security, they may be willing to accept the changes.

Arguments against

- Employees have a high level of interest in the business, as well as a high level of power. This could mean that coercion is ineffective as employees could hold power over ACD as they may be hard to replace.
- Communication or involvement could be more appropriate. As the employees have a high level of interest in the business, they may get on board with the changes quickly if they understand the reason behind the changes.

Potential judgement

- If the employees are loyal to the business, communication may be more effective as they are likely to understand the reason behind the changes, as it will provide them with job security.
- Employees may be fearful of redundancy, especially if they would find it difficult to find another job. Coercion, therefore, may be the most effective way of overcoming the resistance to change.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Section B **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
2	1	Using the data in **Table 2**, calculate the gross profit margin for Kaze. **Answer 60 or 60% (3)** Gross profit margin = $\frac{\text{Gross profit}}{\text{Revenue}}$ × 100 (1) Gross profit: 1 255 000 000 – 502 000 000 = 753 000 000 (1) $\frac{753\,000\,000}{1255\,000\,000}$ × 100 (1) OFR applies	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
2	2	Analyse **one** benefit to Kaze of having a strong corporate culture. **Indicative content** • A strong corporate culture means that a lot of the employees will have shared values, attitudes and beliefs. • Kaze can benefit from attracting good staff if the corporate culture is strong. This means innovative and new ideas could be brought into the business. This could help Kaze to develop new products which could help it to be more successful. • A strong culture could improve staff morale and engagement. This could ensure that employees come up with new ideas which could create new products or processes which could make the business more profitable. • A strong culture can create a stronger sense of community, which could be the reason that the labour turnover in the business is so low. This could reduce costs for Kaze, allowing it to lower prices and become more competitive (or increase profit margins and have more to invest). Credit valid alternative content. **Good response (4 marks)** Analyses one benefit to Kaze of having a strong corporate culture. **Reasonable response (3–2 marks)** Explains a benefit to a business of having a strong corporate culture, but fails to link to Kaze.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

		Limited response (1 mark) Demonstrates knowledge of one of the key issues in the question, such as a strong corporate culture.	

Question	Part	Marking guidance	Total marks
2	**3**	Analyse **two** economies of scale that Kaze may benefit from.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	**7–9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4–6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1–3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse two economies of scale,
- in the context of Kaze,
- and why it may benefit from them.

Indicative content

- Purchasing economies of scale. Kaze is the market leader with 40% market share in Japan – it may therefore be buying materials in large quantities. This means that the unit cost of purchasing the raw materials may be negotiated with suppliers.
- Technical economies of scale. Kaze creates high quality air purifiers which are likely to utilise good technological processes and advanced technologies. As Kaze is producing in large quantities, the cost of the technology will be spread over a large amount of output.
- Managerial economies of scale. Kaze has a reputation for employing the best managers. These managers will bring in efficient processes and ways of doing things, which could reduce the unit cost.
- Marketing economies of scale. Kaze will be able to spread the marketing costs, such as television advertisement, over a larger output, meaning the cost per unit (of the marketing) will fall.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
2	4	The consultant believes that Kaze must become more flexible (such as delayering or flexible employment contracts) to remain competitive. Is becoming more flexible necessary to remain competitive? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10–12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7–9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4–6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1–3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- assess the argument for and against,
- Kaze becoming a more flexible organisation,
- to remain competitive,
- and make a judgement.

Indicative content

Arguments for

- Becoming more flexible means the business may need to delayer or introduce flexible contracts which allows for homeworking etc.
- This could help improve employee motivation. Kaze needs to develop a new, more compact filtration system to appeal to the ageing population. By having more flexible working practices, employees could feel more valued, meaning they are likely to engage more with the business and come up with new ideas. These new products and ideas could help the business to be more competitive.
- Delayering could widen the span of control, encouraging more junior employees to come up with more ideas. The market is experiencing a lot of change which could require Kaze to come up with new ideas and features for products. Employees coming up with more ideas and achieving higher levels of motivation could help Kaze to become more innovative could improve competitiveness.
- Delayering could also reduce costs in terms of managers salaries which could represent a significant cost for Kaze. This could increase the profit margins, meaning more retained profit could be available to invest into the business, helping it to become more competitive.

Arguments against

- Homeworking can often dilute the company culture as people feel less connected to each other. Kaze has a strong company culture which could be considered a key reason for its success. Increased homeworking could mean employees don't engage as well with the business and are, therefore, less likely to come up with new ideas, which Kaze needs to become more competitive.
- Delayering can increase the costs significantly in the short run through redundancy payments. This could force up costs and therefore prices, meaning that Kaze could see a reduction in its competitiveness. It could also reduce the amount of retained profit available to be able to invest in new products/processes.
- Other things could be more important to assist Kaze in becoming more competitive, such as conducting market research to see what consumers are likely to want in the future. The workforce seems to have been a crucial part of Kaze's success to date, so altering contracts and changing working patterns may not be a good idea as it could increase labour turnover and Kaze could lose skilled and experienced workers.

Potential judgement

- Employees are already engaged at Kaze, so flexible working practices are unlikely to have an impact on the output and ideas they will create for the business.
- Kaze's culture has ensured it remains innovative. By implementing flexible working options, employees will feel empowered and therefore more likely to come up with solutions for the future.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
2	5	Some managers are concerned that Kaze will experience strategic drift. Are they right to be concerned? Assess the arguments for and against and make a judgement.	12 AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10–12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7–9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4–6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1–3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse the arguments for strategic drift occurring,
- to analyse the arguments against strategic drift occurring,
- in the context of Kaze,
- and make a judgement.

Indicative content

Arguments for

- Strategic drift means the strategy of a business is no longer relevant to the environment it is operating in. Kaze is operating in a market which is likely to change in the near future.
- An ageing population means that the air purifiers in their current form, will be less popular and therefore Kaze is likely to experience strategic drift if it maintains its current strategy. Due to the patent Kaze has, it is possible that managers will continue to sell the product without any adaptation if they have become complacent. This may mean the business is more likely to experience strategic drift.
- There is a concern over the market concentration. The government may try to encourage new market entrants, which could significantly increase competition and innovation in the market. Without significant investment and improvements, there is no guarantee the existing strategy will continue to be relevant.
- Kaze is the market leader and therefore is likely to be a larger organisation with many staff members. Changing the strategy in a larger organisation with staff members who have been with the business a while can be challenging; meaning strategic drift is more likely.

Arguments against

- A senior manager has already hired a consultant, suggesting they are aware of the need to change the business to remain competitive in a changing environment. This reduces the chance of strategic drift as it shows the strategy is likely to be adapted.
- If the business implements more flexible working practices, this could allow the business to become more adaptable and change to suit any differences in the external environment that take place.
- Changes in the external environment are mainly around the ageing population. This will take place over a period, meaning Kaze will have enough time to be able to alter what they need to in its strategy to remain competitive.
- Kaze has proven to be an innovative business and has worked hard to grow to be the market leader. This suggests the managers can be flexible and agile and therefore the business is less likely to experience strategic drift.

Potential judgement

- If the business adopts the flexible working practices as outlined by the consultant, it is highly unlikely that strategic drift will be experienced.
- Strategic drift may be more likely if home working is adopted. If employees aren't working together as frequently, it could limit the amount of creativity and adaptability within the business.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1.1	1	2			**3**
1.2	1	1	2		**4**
1.3	2	1	6		**9**
1.4	2	2	2	6	**12**
1.5	2	2	2	6	**12**
Section B					
2.1	1	2			**3**
2.2	1	1	2		**4**
2.3	2	1	6		**9**
2.4	2	2	2	6	**12**
2.5	2	2	2	6	**12**
Unit Total	**16**	**16**	**24**	**24**	**80**