



# General Certificate of Education

## Business Studies 6131

### *BUS6 External Influences and Objectives and Strategy*

## Mark Scheme

### *2006 examination - January series*

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' 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.

## **GENERAL MARKING GUIDANCE**

*You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 18 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates at the end of a full A Level course.*

### **Positive Marking**

*You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.*

### **Mark Range**

*You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.*

### **The use of Levels of Response**

*Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept which would receive credit only for knowledge in one context could become a means of analysis in another. For instance, in the question: "Discuss the BGD Company's marketing strategy", a candidate who writes: "approaches to a strategy include SWOT and the Boston Matrix" is showing knowledge. A brief, accurate explanation of the Matrix shows understanding, whereas a candidate who uses the Matrix to examine the BGD Company's case is showing the skill of analysis. **Please note that there are other ways to show analysis.***

*What then of evaluation? This is the hardest skill to define because judgement can only be shown in context - and that context is not only the one set in the assessment unit, but also by the candidate's own answer. Evaluation is **not** shown by drilled phrases or approaches such as: "On the other hand ..." or "Business operates in an ever-changing ...". It is shown through the weighting of the candidate's arguments, the logic (and justification) of his/her conclusions.*

The skills we seek from candidates are as follows:

1. Knowledge and understanding: accurate definitions or explanations of relevant terms should always be credited within this category; candidates can also gain credit for knowing and explaining a point relevant to the question, eg an advantage of factoring.
2. Application is the skill of bringing knowledge to bear to the business context faced by the candidate. Candidates should not be rewarded for simply dropping the company name or product category into their answer; the response must show recognition of some specific business aspect of the firm, its management or its situation.
3. Analysis: building up an argument using relevant business theory in a way that answers the question specifically and shows understanding of cause and effect.
4. Evaluation is judgement. This can be shown within an answer, through the weighting of an argument or in the perceptiveness shown by the candidate (perhaps about the degree of crisis/strength of the XYZ Company). It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Evaluation is **not** shown simply by the use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment." It is shown through the weighting of the candidate's response plus the logic and justification of his/her conclusions.

### Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

- LEVEL 4 Complex ideas are expressed clearly and fluently. Sentences and paragraphs follow on from one another smoothly and logically. Arguments are consistently relevant and well structured. There are few, if any, errors of grammar, punctuation and spelling. **4 marks**
- LEVEL 3 Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling. **3 marks**
- LEVEL 2 Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas. **2 marks**
- LEVEL 1 Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas. **1 mark**

**1****Total for this question: 14 marks**

To what extent is the success of P&O's plan to reduce the size of its workforce likely to be influenced by different stakeholders? (14 marks)

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 6 marks</b>
<b>Level 3</b>				<b>6–5 marks</b> Good judgement shown in weighing up the extent to which various stakeholders might <b>influence</b> the actions of P&O
<b>Level 2</b>	<b>2 marks</b> Relevant point(s) explained <b>or</b> good understanding of stakeholders	<b>2 marks</b> Application of the issue(s) to this context in some detail	<b>4–3 marks</b> Good analysis of issue(s) with good use of relevant theory	<b>4–3 marks</b> Some judgement shown in weighing up the effect of stakeholders on P&O
<b>Level 1</b>	<b>1 mark</b> Relevant point(s) identified <b>or</b> some understanding of stakeholders	<b>1 mark</b> Some application of the issue(s) to this context	<b>2–1 marks</b> Limited analysis of issue(s)	<b>2–1 marks</b> Limited judgement shown

**Possible answers include:**

- Shareholders might want costs cut to increase dividends – evidence of this in text
- Shareholders might want a reduction of all loss making activities, even if this is not what the company wants in the long term
- Workers might resist job losses, even if they are in the long-term interests of the business
- Passenger customers might not want a reduction of cross channel service
- Freight customers might not want a reduction of cross channel services if it affects their business.

Evaluation might weigh these interests in terms of their conflicting nature or in terms of the relative power and interest of the various stakeholders

2

**Total for this question: 16 marks**

During the first half of 2004, P&O carried out a full strategic review of its operations in order to assess its likely future direction. Assess the value of corporate planning in helping P&O to formulate its strategy for the future. *(16 marks)*

	<b>Content 3 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 6 marks</b>
<b>Level 3</b>				<b>6–5 marks</b> Good judgement shown in weighing up the value of corporate planning to P&O's future strategy
<b>Level 2</b>	<b>3 marks</b> Relevant point(s) explained <b>or</b> good understanding of corporate planning	<b>3 marks</b> Application of the issue(s) to this context in some detail	<b>4–3 marks</b> Good analysis of the issue(s) with good use of relevant theory	<b>4–3 marks</b> Some judgement shown in weighing up the value of corporate planning to P&O's decision making
<b>Level 1</b>	<b>2–1 marks</b> Relevant point(s) identified <b>or</b> some understanding of corporate planning	<b>2–1 marks</b> Some application of the issue(s) to this context	<b>2–1 marks</b> Limited analysis of the issue(s)	<b>2–1 marks</b> Limited judgement shown

**Possible answers include:**

- Some knowledge of P&O's strategic objectives would help inform decisions – eg are they willing to continue with short-term losses to remain in passenger ferries?
- Other objectives than profit maximisation might inform decisions, eg shareholder value, growth/divestment
- Hierarchy of strategies might help to decide how each level of the organisation contributes to strategy
- Porter's five forces framework might be applied to P&O's trading environment.

Evaluation might include judgement about a long-term plan in what could be argued is a volatile trading environment. Also, external factors have contributed to P&O's situation. Is it more difficult to plan effectively for a large conglomerate than it is or a more focused organisation?

3

**Total for this question: 16 marks**

Discuss the extent to which P&O might benefit from the potential opportunities created by the enlargement of the European Union. *(16 marks)*

	<b>Content 3 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 6 marks</b>
<b>Level 3</b>				<b>6–5 marks</b> Good judgement shown in weighing up the opportunities for P&O of EU enlargement
<b>Level 2</b>	<b>3 marks</b> Relevant point(s) explained <b>or</b> good understanding of EU enlargement	<b>3 marks</b> Application of the issue(s) to this context in some detail	<b>4–3 marks</b> Good analysis of issue(s) with good use of relevant theory	<b>4–3 marks</b> Some judgement shown in discussing the opportunities for P&O
<b>Level 1</b>	<b>2–1 marks</b> Relevant point(s) identified <b>or</b> some understanding of EU enlargement	<b>2–1 marks</b> Some application of the issue(s) to this context	<b>2–1 marks</b> Limited analysis of the issue(s)	<b>2–1 marks</b> Limited judgement shown

**Possible answers include:**

**Opportunities include:**

- A larger market for passenger and freight customers from Eastern European countries
- Is established market saturated? If so, the Eastern European countries represent opportunities for growth
- Other ferry routes might open up for P&O apart from cross channel
- Eastern European countries import over half their imports from established EU countries, could this present opportunities for freight trade?
- An increase in EU trade could increase the volume of freight traffic.

Evaluation might involve discussion of P&O's ability to take advantage of enlargement – have recent changes/downsizing made P&O more/less able to respond? The existence of possible benefits does not mean they will be taken up. Is Eastern European traffic essential, given the saturated EU market?

4

**Total for this question: 16 marks**

To what extent is the declining profitability experienced by P&O in its passenger ferry business the result of external factors beyond its control? (16 marks)

	<b>Content 3 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 6 marks</b>
<b>Level 3</b>				<b>6–5 marks</b> Good judgement shown in weighing up whether declining profitability has been beyond P&O's control
<b>Level 2</b>	<b>3 marks</b> Relevant point(s) explained <b>or</b> good understanding of reasons for declining profitability	<b>3 marks</b> Application of the issue(s) to this context in some detail	<b>4–3 marks</b> Good analysis of the issue(s) with good use of relevant theory	<b>4–3 marks</b> Some judgement shown in weighing up the arguments
<b>Level 1</b>	<b>2–1 marks</b> Relevant point(s) identified <b>or</b> some understanding of reasons for declining profitability	<b>2–1 marks</b> Some application of the issue(s) to this context	<b>2–1 marks</b> Limited analysis of the issue(s)	<b>2–1 marks</b> Limited judgement shown

**Possible answers include:**

- Some evidence of harsh trading environment – but have not all passenger ferry companies faced the same environment?
- Has P&O faced an uneven playing field – it does not receive the Government assistance its competitors do?
- Could it have predicted the impact of the external factors listed?
- Could not/should not P&O have used contingency planning?
- Is there a suggestion in the text that P&O has been a fat cat and that it needs to downsize anyway? But this is an ex-competitors view!

Evaluation might include judgement about whether P&O has coped better/worse than competitors with the external environment. Has P&O done as well as can be expected given the trading conditions? Can a business protect itself from its trading environment?

5

**Total for this question: 18 marks**

Do you think that P&O should move out of passenger ferry operations completely? Use the text and **Appendix A** and any other information to help justify your answer. (18 marks)

	<b>Content 3 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 8 marks</b>
<b>Level 3</b>				<b>8–6 marks</b> Good judgement shown in weighing up whether P&O should move out of passenger ferries completely
<b>Level 2</b>	<b>3 marks</b> Relevant point(s) explained showing good understanding	<b>3 marks</b> Application of the issue(s) to this context in some detail	<b>4–3 marks</b> Good analysis of the issue(s) with good use of relevant theory	<b>5–3 marks</b> Some judgement shown in arriving at a conclusion about whether P&O should move out of passenger ferries
<b>Level 1</b>	<b>2–1 marks</b> Relevant point(s) identified showing some understanding	<b>2–1 marks</b> Some application of the issue(s) to this context	<b>2–1 marks</b> Limited analysis of the issue(s)	<b>2–1 marks</b> Limited judgement shown

**Possible answers in favour include:**

- Profit figures for last 4 years suggest it is unlikely to return to profitability
- Eurotunnel has 40% of passenger ferry market – will this increase?
- Eurotunnel has 40% of cross channel market in freight – can P&O compete here?
- Does not the combination of factors outlined in the text make it inevitable?

**Possible answers against include:**

- Passenger ferries are P&O's core activity – should not this continue to maintain a presence in the core market?
- Is there evidence that a more focused operation based around a mini cruise, up-market product might create a successful niche?
- First mover advantage would mean P&O could establish market dominance in the emerging mini cruise market
- Short break and long stay numbers have remained fairly constant since 2000.

Evaluation might include a reasoned judgement about whether P&O should or should not move out of passenger ferries. The word “completely” could be challenged. Judgements about the inevitability might be included, as could a conclusion that, without passenger ferries, perhaps as a loss leader, P&O would cease to provide its core activity – possible knock on effects on other trading areas?