



Wednesday 19 June 2013 – 9.30am

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING

Unit 4 Business Environment

MARK SCHEME

Duration: 2 hours 30 minutes

MAXIMUM MARK 90

This document consists of 11 pages

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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.

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Question	Answer	Marks	Guidance
1	<p>Indicative content</p> <ul style="list-style-type: none"> • profit • growth • service/product provision <p>Exemplar response <i>One organisational purpose of Warm-Glo is that it is a private mainly family-owned for-profit.[1]</i></p>	2	<p>One mark for each correct identification of an organisational purpose of Warm-Glo up to a maximum of 2 identifications</p>
2	<p>Indicative content:</p> <ul style="list-style-type: none"> • Stakeholders <ul style="list-style-type: none"> – shareholders – potential investors – company executives – creditors – customers – employees – government <p>Exemplar response: <i>Suppliers [1] interested in receiving high prices for the good which they supply to Warm Glo Ltd [1]</i></p>	4	<p>One mark for each correctly identified stakeholder and a further mark for stating the relevant stakeholder objectives in each case, up to maximum of 2 stakeholders</p>

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3	<p>Indicative content</p> <ul style="list-style-type: none"> • legal • ethical • social • environmental • stakeholders <p>Exemplar response: <i>Warm-Glo may believe that as a private business, provided it operates within the legal scope its responsibilities, it has no ethical obligation to engage in initiatives, other than those likely to yield financial benefit to the firm. [1] Promoting initiatives for the efficient use of energy could result in lower sales of energy and thus energy-related products /services, which may reduce Warm-Glo's revenues.[1]</i></p>	4	<p>One mark for each correctly identified reason (up to a maximum of two identifications) and a further one mark for each explanation</p>
4	<p>Indicative content</p> <ul style="list-style-type: none"> • interaction of demand and supply (may be shown graphically) • scarcity, choice • a managed market equilibrium, shortages/restricted supply (may be shown graphically) <p>Exemplar response: <i>An international group such as OPEC is able to create oil surpluses from the divergent interests of suppliers and customers.[1] For example, oil exporting nations want to maximise prices and keep oil in the ground, whilst customers want to minimise prices and consume oil and related products.[1] A market surplus means that supply and demand are not in equilibrium.[1] and oil exporting nations therefore have to take the surplus oil off the market</i></p>	4	<p>Up to maximum of 4 marks which may be achieved through prose and/or a diagram</p>

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	<i>- keep it in the ground - so as to maintain an artificially high price.[1]</i>		
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5	<p>Indicative content:</p> <ul style="list-style-type: none"> • impacts <ul style="list-style-type: none"> – supply – demand – costs – growth – price – profit – business investment – employment – innovation <p>Exemplar response: <i>In a recession, an expansionary government would seek to invest in large-scale public expenditure projects and so create employment and public sector jobs. This could stimulate consumer spending and thus kick-start supply-side activities [L1]. On the other hand, a contractionary government may prefer to use lower taxes as this they argue would stimulate the owners of capital to invest funds into private initiatives that better stimulate supply-side activities. Likewise, higher taxes may have the opposite effect of depressing supply-side activity. [L2]</i> <i>Current Coalition Government fiscal policy seems to be a combination of both an expansionary and a contractionary stance. The impact of lower spending on public services as a response to the recession could result in poorer families shifting expenditure on fuel from expensive central heating to bottled-gas, which could then cause increased</i></p>	10	<p>Levels of response</p> <p>Level 4 (8 – 10 marks) Assesses the likely impacts on Warm-Glo Ltd’s activities</p> <p>Level 3 (5 – 7 marks) Analyses the likely impact(s) on Warm-Glo Ltd’s activities</p> <p>Level 2 (3 – 4 marks) Explains the likely impact(s) on Warm-Glo Ltd’s activities</p> <p>Level 1 (1 – 2 marks) Identifies the likely impact(s) on Warm-Glo Ltd’s activities</p>

Question	Answer	Marks	Guidance
	<p><i>appliance sale. [L3] But because of the recession, the impact of higher taxes may act as a disincentive to investors and not provide the necessary stimulus to kick-start the economy. This may threaten possible investment initiatives at Warm-Glo to improve appliances design and develop on-line appliances sales [L4]</i></p>		
6	<p>Indicative content:</p> <ul style="list-style-type: none"> • supply • demand • costs • growth • price • profit • business investment • employment • innovation • scarcity, choice • market equilibrium, shortages/surpluses • regulatory capture <p>Exemplar response: <i>With a global oil price of \$110 per barrel, there are suspicions that this represents a 'managed' price by OPEC, rather than the equilibrium price for oil. Warm-Glo's Executive are therefore concerned about the potential damage to appliance sales, if OPEC were to become unstable and oil prices collapse – and hence globally energy prices. [L1] OPEC believes that oil is scarce and hence production quotas are needed so as to regulate price changes and thereby conserve the resource. Yet there could also be positive impacts on sales if oil prices were to rise. The low barriers to exit from the coal/bottled-gas appliances market could potentially also reduce</i></p>	16	<p>Levels of response:</p> <p>Level 4 (13 – 16 marks) Evaluates the likely impact of regulating the global price of oil on Warm-Glo Ltd's activities.</p> <p>Level 3 (9 - 12 marks) Analyses one or more likely impacts of regulating the global price of oil on Warm-Glo Ltd's activities.</p> <p>Level 2 (5 – 8 marks) Explains one or more likely impacts of regulating the global price of oil on Warm-Glo Ltd's activities.</p> <p>Level 1 (1 – 4 marks) Identifies one or more likely impacts of regulating the global price of oil on Warm-Glo Ltd's activities.</p>

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	<p><i>Warm-Glo's revenue if global energy prices collapsed. [L2] Yet even if global energy prices continued to rise (as is the most likely scenario) to reflect the increasing scarcity of this resource, substitution to alternative, more efficient and cheaper forms of space-heating would be inevitable. If Warm-Glo's appliances prices are shadowing global energy pricing behaviour, then it is questionable whether real added-value is being delivered to customers who purchase these appliances. [L3] The evidence of inferior ease-of-use and poorer controllability of Warm-Glo's appliances also lends support to this view. If OPEC were to become unstable and global energy prices fell significantly, then Warm-Glo's survival could be endangered because of its limited product range. [L4]</i></p>		
7	<p>Indicative content:</p> <ul style="list-style-type: none"> • green issues • carbon dioxide emissions • relative prices • ease-of-use • flexibility <p>Exemplar response <i>More stringent Government targets on carbon dioxide emissions are likely to influence public perception on the use of carbon-based fuels [1], and in turn depress the current sales of Warm-Glo's appliances.[1]</i></p>	6	<p>One mark for each correct, identification up to a maximum of three and a further one mark for each of three developments.</p>

Question	Answer	Marks	Guidance
8	<p>Indicative content:</p> <ul style="list-style-type: none"> • business decisions may reflect family interests • inefficient/inappropriate investment decisions • unplanned for succession may be fraught with family conflicts • internal business culture may mirror family culture <p>Exemplar response: <i>Warm Glo has a 'modern' range of appliances but this does not appear to follow through to modern practices, suggesting entrenched internal business beliefs that are production, rather than customer orientated. [L1] The evidence that most of the Executive - with the exception of two directors who are not in the family – are of the family and also shareholders, suggests too that Warm-Glo has yet to 'grasp the nettle' in terms of truly separating ownership and control.[L2] This problem may be contributing to a weakening of functional leadership and the perception of complacency observed by suppliers. [L3] While the case study is not specific in terms of outlining Warm-Glo's business objectives, the compulsion of Warm-Glo's shareholders to want to maximise profits and to stay true to family beliefs and traditions must be combining to create tensions at the strategic level for the two non-family directors who wish for the business to evolve and modernise. The evidence does suggest that Warm-Glo is profitable at present, but to grow, it may need to address this central dilemma between ownership and control.[L4]</i></p>	20	<p>Levels of response:</p> <p>Level 4 (16 – 20 marks): Evaluates the likely impact of family ownership and control of Warm-Glo Ltd on its internal business and cultural environment.</p> <p>Level 3 (11 - 15 marks): Analyses one or more likely impacts of family ownership and control of Warm-Glo Ltd on its internal business and cultural environment.</p> <p>Level 2 (6 – 10 marks): Explains one or more likely impacts of family ownership and control of Warm-Glo Ltd on its internal business and cultural environment.</p> <p>Level 1 (1 – 5 marks): Identifies one or more likely impacts of family ownership and control of Warm-Glo Ltd on its internal business and cultural environment.</p>
9	<p>Indicative content:</p> <ul style="list-style-type: none"> • reasons for trade • trade restrictions • potential export opportunities 	6	<p>Levels of response:</p> <p>Level 3 (5 – 6 marks): analyses the likely impact of trade between the UK and other European countries on Warm-Glo Ltd's activities</p>

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	<ul style="list-style-type: none"> • euro/non-euro currencies <p>Exemplar response: <i>The evidence on sales between 2008 and 2010 is not sufficient to show the establishment of significant appliance trade between Warm-Glo Ltd and its French and German markets. But the rapid growth of sales in the French market over this time period does suggest the presence of a significant comparative (or absolute) advantage in modern appliances trade with the UK. [L1]</i> <i>The significantly low growth rates in the German market over this same time period could, on the one hand be due to a lesser focus by Warm-Glo on developing trade in the German market, and/or on the other, more stringent technical barriers to Warm-Glo's appliances. [L2]</i> <i>Likewise, there could be as yet unresolved logistical problems in supplying bottled gas to enable German customers to purchase and use Warm-Glo's modern appliance. [L3]</i></p>		<p>Level 2 (3 – 4 marks): explains the likely impact of trade between the UK and other European countries on Warm-Glo Ltd's activities</p> <p>Level 1 (1 – 2 marks): identifies the likely impact of trade between the UK and other European countries on Warm-Glo Ltd's activities</p>

10		<p>Indicative content:</p> <ul style="list-style-type: none"> • innovation • expansion • free trade • technical barriers • euro/non-euro currencies • legislation • regulation <p>Exemplar response <i>One likely impact of the European Single Market on Warm-Glo Ltd's operation could be the technical barriers to trade. [1] This may impose significantly more demanding appliance efficiencies than would be the case for UK safety standards [1]. In turn, this could stimulate innovative product design initiatives toward space-heating appliances with better automation and controllability.[1]</i></p>	6	<p>One mark for each correct identification up to a maximum of two identifications plus up to a further two marks for each of two explanations.</p>
11		<p>Indicative content:</p> <ul style="list-style-type: none"> • emerging/declining markets • technological factors • opportunity cost • finance/cost of • risk • aims and objectives • consumer trends <p>Exemplar response: <i>Whether or not Warm-Glo should make an immediate investment in an on-line sales capability would depend on an analysis of the risks involved [L1]. There are considerable difficulties in convincing a family-owned organisation with traditional manufacturing practices to</i></p>	12	<p>Levels of response:</p> <p>Level 4 (10 – 12 marks): Recommends and justifies whether or not to make an immediate investment.</p> <p>Level 3 (7 – 9 marks): Analyses the arguments for /and or against making the investment. Award -7 marks for a one-sided analysis Award 8 – 9 marks for a two-sided analysis</p> <p>Level 2 (4 – 6 marks): Explains the arguments for and against making the investment.</p> <p>Level 1 (1 – 3 marks): Identifies arguments for and against making the investment.</p>

		<p><i>embrace a modern technological approach to how it conducts its sales function. [L2] This idea will pose a threat to the Executive, particularly as its natural sponsors will most likely be the two Directors of Marketing & Sales and Design & Development. Those directors on the family/shareholder side will want to be convinced that the drive to modernise through investing in on-line sales will neither threaten the short term traditional sales targets [L3] So the advice to the Executive would be to not make an immediate investment in an on-line sales capability as it could threaten the viability of the business by undermining the unity of the executive .[L4]</i></p>		
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