

**GCE**

**Business**

**Unit H431/03: The global business environment**

Advanced GCE

**Mark Scheme for June 2017**

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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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## Annotations

<b>BP</b>	Blank page
	Correct
	Incorrect
<b>NAQ</b>	Not answered the question
<b>OFR</b>	Own figure rule
<b>BOD</b>	Benefit of doubt given
<b>REP</b>	Repetition. The candidate has merely restated what has already been said and so no further credit given or repetition of the case study.
<b>SEEN</b>	Noted but no credit given
<b>TV</b>	Too vague
	Unclear
<b>K</b>	Knowledge
<b>APP</b>	Application of knowledge and understanding
<b>AN</b>	Analysis
<b>E</b>	Evaluation
<b>EE</b>	Effective evaluation

Answer		Marks	Guidance
1	<p>1 mark for correct identification of a relevant diseconomy of scale, plus a further 1 mark for an explanation of the diseconomy of scale to BA.</p> <p>Explanation should link to an increase in average/unit costs.</p> <p>No context is required for full marks</p> <p>Do not reward answers which make generic reference to a firm's costs increasing as it increases in size.</p>	<p><b>2</b> (AO1 2)</p>	<p>Likely diseconomies are:</p> <ul style="list-style-type: none"> <li>• communication problems</li> <li>• production/storage/logistical issues</li> <li>• morale problems/absenteeism</li> <li>• reasonable to add 'mixed marketing messages'/product differences</li> </ul> <p>Exemplar responses: Communication problems (1). As there are more employees it becomes less efficient so unit costs increase (1)</p> <p>As BA acquired airlines it was likely to have experienced issues with staff morale. (1) This is because staff across different airlines might have different salaries, work practices and so forth and it would be difficult to adjust these to a new 'BA standard'. (1)</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
2	<p>1 mark for each correct identification of a globalising factor and 1 further mark for each explanation, up to a maximum of 2 identifications.</p> <p>The explanation <b>must</b> be in the context of BA.</p> <p><b>NB:</b> Focus should be on factors which have <b>enabled</b> BA to become a global organisation – this could be internal or external</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Likely factors:</p> <ul style="list-style-type: none"> <li>• internet/e-commerce/other communication technologies</li> <li>• (trade) liberalisation</li> <li>• transport infrastructure</li> <li>• multinationals/international trade</li> <li>• closer political integration</li> <li>• demand from or for the overseas market/ 'nature of BA's business', i.e. its planes land and take off from other countries, therefore foreign consumers can buy flights.</li> <li>• available capital</li> <li>• the right staff/labour</li> <li>• enterprise/entrepreneurship</li> <li>• privatisation – forced BA to become global to gain economies of scale and compete</li> <li>• mergers and acquisitions– more resources to cover more of the globe</li> <li>• economic factors- exchange rate, booming foreign growth etc.</li> <li>• strategic alliance - Oneworld</li> </ul> <p>Exemplar response: The growth of e-commerce will have helped BA globalise. (1) It is now common to book flights via an airline's website, which can be done anywhere in the world – hence BA's 'product' is bought and sold anywhere. (1)</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
3	<p><b>Level 2 (4–6)</b> Candidate shows <b>reasonable</b> knowledge and understanding and <b>good</b> analysis of how the change to APD might affect BA.</p> <p><b>Level 1 (1–3)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis of how the change to APD might affect BA.</p> <p><b>NB</b> – award max <b>one</b> mark for non–contextualised answer.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>6</b> (AO1 1) (AO2 1) (AO3 4)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• effect on (quantity) demanded for BS’s services – QD is likely to increase</li> <li>• effect on supply of BA’s service – APD is an indirect tax so S may increase (shift to the right) leading to an increase in quantity supplied and a decrease in price.</li> <li>• could refer to PED – could argue elastic or inelastic – depending on other factors such as income, income relative to price, degree of perceived necessity, substitutability etc.</li> <li>• might refer to XED – looking at demand for other holidays/purchases</li> <li>• can give a non-elasticity response – e.g. demand related only</li> <li>• impacts on BA could extend to need to supply more flights, staffing issues, more destinations, changes in promotion etc.</li> </ul> <p>Exemplar responses: The quantity demanded should rise (K) because the price of a family going on holiday has reduced (APP). More people may choose to fly on BA flights (AN) leading to an increase in revenue and profit for BA (ANAN). However, APD has been abolished on all flights, not just BA, and because this is a competitive market people may choose to fly with another airline and BA may not gain an increase in QD (ANAN).</p> <p>Answers <b>MAY</b> include a supply &amp; demand diagram, showing the supply curve moving to the right. (In context, this would form the basis of analysis).</p>

			ARA
	Answer	Marks	Guidance
4*	<p><b>Level 4 (16–20)</b> Candidate shows <b>strong</b> knowledge, understanding, analysis and evaluation of the importance of effective change management to BA. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the importance of effective change management to BA. <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of the importance of effective change management to BA. <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of the importance of effective change management to BA. <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non–</p>	<p><b>20</b> (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p>The question is <b>WHY</b>, not <b>HOW</b> or <b>WHAT</b> (are the actual changes) i.e. candidates should address why it is important, in the case of BA, that any <u>changes are well managed</u>. <b>NOT</b>, a discussion of the changes or the reasons for doing them- these answers are likely to be AO1/AO2 at best.</p> <p>It is difficult to argue AGAINST effective change management for a large organisation – anything less than effective is a disaster! Therefore, answers are likely to sway towards the affirmative.</p> <p>Answers may distinguish between the management of:</p> <ul style="list-style-type: none"> <li>• anticipated v. unanticipated change</li> <li>• change on strategic, tactical, operational levels</li> </ul> <p>Benefits of effective change management are:</p> <ul style="list-style-type: none"> <li>• cost/efficiency improvements – avoid any financial shocks/unforeseen costs</li> <li>• improvements to organisational structure/get ahead of any potential HR problems (e.g. merging airlines)</li> <li>• recruitment/redundancy issues planned</li> <li>• marketing gains – looks well planned/seamless to the consumers – sends positive message</li> <li>• all financial planning/forecasting</li> <li>• systems/logistics that would be very complex at BA more likely to ‘work’</li> <li>• if change is planned it can be incremental when needed/one-off ‘shock’ also when needed</li> <li>• overall, management are in control so it is less likely to go wrong</li> </ul>

	contextualised impacts.  <b>0 marks</b> no response or no response worthy of credit.		Evaluation may come from considering: <ul style="list-style-type: none"><li>• The relative importance of change management compared to other aspects of the business</li><li>• The relative importance of anticipated v. unanticipated change</li><li>• The relative importance of change on strategic, tactical, operational levels</li></ul> <b>ARA</b>
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		Answer	Marks	Guidance						
5	a	<p>Up to 3 marks</p> <p>1 mark for correct calculation of the labour productivity for 2015</p> <p>1 mark for correct calculation of labour productivity for 2016</p> <p>1 mark for correct calculation of the percentage change (OFR)</p> <p>3 marks for a correct answer (given to two decimal places) – with or without working</p>	<p><b>3</b> (AO1 1) (AO2 2)</p>	<p>2015 <math>10.95\text{m}/143 = 76,573.4</math> meals p/p (1)                  2016 <math>11.62/145 = 80,137.9</math> meals p/p (1)</p> <p>Percentage change = <math>(80,137.9 - 76,573.4) / 76,573.4 * 100 = 4.66\%</math> (1)</p> <p><b><u>Answer = 4.66% (3)</u></b></p> <p>The following is a range of most likely versions of answers which would be worth full marks (due to rounding at different stages)</p> <table border="1" data-bbox="1149 659 1973 1171"> <tbody> <tr> <td data-bbox="1149 659 1561 831"> <math>10.95/143 * 100 = 7.66</math>  <math>11.62/145 * 100 = 8.01</math>                      Difference = 0.35  <math>0.35/7.66 * 100 = \mathbf{4.57\%}</math> </td> <td data-bbox="1561 659 1973 831">                     This method turns each productivity into %s and uses 2 d.p. throughout                 </td> </tr> <tr> <td data-bbox="1149 831 1561 1003"> <math>10.95/143 = 0.0766</math>  <math>11.62/145 = 0.0801</math>                      Difference = 0.0035  <math>0.0035/0.0766 * 100 = \mathbf{4.57\%}</math> </td> <td data-bbox="1561 831 1973 1003">                     As above but without changing each productivity into %s                 </td> </tr> <tr> <td data-bbox="1149 1003 1561 1171"> <math>10.95/143 = 0.08</math>  <math>11.62/145 = 0.08</math>                      Difference = 0                      Answer = <b>0%</b> </td> <td data-bbox="1561 1003 1973 1171">                     Each calculation has been done to 2 d.p. and this gives a (rounded) answer of 0                 </td> </tr> </tbody> </table>	$10.95/143 * 100 = 7.66$ $11.62/145 * 100 = 8.01$ Difference = 0.35 $0.35/7.66 * 100 = \mathbf{4.57\%}$	This method turns each productivity into %s and uses 2 d.p. throughout	$10.95/143 = 0.0766$ $11.62/145 = 0.0801$ Difference = 0.0035 $0.0035/0.0766 * 100 = \mathbf{4.57\%}$	As above but without changing each productivity into %s	$10.95/143 = 0.08$ $11.62/145 = 0.08$ Difference = 0 Answer = <b>0%</b>	Each calculation has been done to 2 d.p. and this gives a (rounded) answer of 0
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$10.95/143 = 0.08$ $11.62/145 = 0.08$ Difference = 0 Answer = <b>0%</b>	Each calculation has been done to 2 d.p. and this gives a (rounded) answer of 0									

		<b>Answer</b>	<b>Marks</b>	<b>Guidance</b>
<b>5</b>	<b>b</b>	Up to 2 marks  2 marks for a correct answer (given to two decimal places) – with or without working  1 mark for evidence of correct formula	<b>2</b> (AO1 1) (AO2 1)	NPM = Net Profit/Revenue (1)  NPM in 2016 = $4.27/24.52 * 100 = 17.41(\%)$  = <b><u>17.41(%)</u></b> (2)  Maximum 1 mark for calculating NPM of 15.97% for 2015 (implied knowledge of formula)  <b>OFR</b>
<b>5</b>	<b>c</b>	Up to 2 marks  2 marks for a correct answer – with or without working  1 mark for correctly adding the correct figures  1 mark for averaging the three figures	<b>2</b> (AO1 1) (AO2 1)	3PMA for 2016 = $(556+551+577) = 1684$ (1)  $1684/3 = 561.3$ (1)  = <b><u>561.3 or 561</u></b> (1)
<b>5</b>	<b>d</b>	Up to 5 marks  5 marks for a correct answer – with or without working	<b>5</b> (AO1 1) (AO2 2) (AO3 2)	Period 2 average cyclical variation  2008 $405.7 - 444 = 38.3$ (1) 2011 $495.3 - 500 = 4.7$ (1) 2014 $558.0 - 563 = 5.0$ (1)  $(38.3 + 4.7 + 5.0)/3$ (1)  = 16 (1)  <b>Answer = <u>16</u></b>  <b>OFR</b>

		Answer	Marks	Guidance
5	e	<p><b>Level 2 (4–6)</b> Candidate shows <b>reasonable</b> knowledge and understanding and <b>good</b> analysis of how useful time series data is to ZLL.</p> <p><b>Level 1 (1–3)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis of how useful time series data is to ZLL.</p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised answer.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>6</b> (AO1 2) (AO2 2) (AO3 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• ZLL supplies airlines which may have seasonal and cyclical (i.e. economic cycle – extract C) variations</li> <li>• need to plan because of ‘fresh’ food and wastage – difficulty of holding inventory</li> <li>• growth in air traffic, which suggests a growth in the market for ZLL, can be seen in the figures in Table 2</li> <li>• historical data so no guarantee that it will continue into future – too many variables</li> <li>• where is the data from? Validity issues.</li> <li>• no qualitative data</li> <li>• how useful is world airline data for ZLL’s specific purpose?</li> </ul> <p><b>NB:</b> Question states the use of time series data, such as that in Table 2 – so candidate may choose to focus on revenue or other data that could form the basis of time series data for ZLL</p> <p><b>Exemplar response:</b> The time series data is of some use to ZLL as it, at the very least, shows a trend of likely air travel demand (K) and, therefore, demand for airline meals (APP) – the two are clearly linked. This does not account for any ‘shocks’, from 7/11 events (APP) to economic downturns, and therefore would be difficult to use to make firm predictions much into the future (ANAN). For ZLL’s purposes there are too many variables outside of the TSA prediction that could be an issue to them (ANAN).</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
6	<p><b>Level 3 (7–10)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the external influences on BA's marketing strategy.</p> <p><b>Level 2 (4–6)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of the external influences on BA's marketing strategy.</p> <p><b>Level 1 (1–3)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of the external influences on BA's marketing strategy.</p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>10</b> (AO1 2) (AO2 2) (AO3 3) (AO4 3)</p>	<p>Influences could be any from:</p> <ul style="list-style-type: none"> <li>• social</li> <li>• legal</li> <li>• ethical</li> <li>• environmental</li> <li>• economic</li> <li>• political</li> <li>• technological</li> <li>• international</li> </ul> <p>Analysis may consider:</p> <ul style="list-style-type: none"> <li>• technological factors will have a huge impact on the development of BA's marketing strategy – in two primary respects: selling and product.</li> <li>• the rise of on-line sales will mean that BA (and every airline) will have to ensure that its main 'shop window' and selling vehicle is competitive and 'works' – in terms of ease of use, booking and as a promotional tool generally. This fits with BA's 'customer centric' approach, as the website and booking system would be a key part of consumers' perception of 'quality, value etc' (Extract D).</li> <li>• the industry is so technology based (consumers are within a smartphone's reach of booking a flight) that this arguably is the most important factor as BA develops what must be a rapidly evolving marketing strategy.</li> </ul> <p>Evaluation could come from considering:</p> <ul style="list-style-type: none"> <li>• The most influential external influence(s) on BA's marketing strategy</li> <li>• The external influence(s) which are most likely to impact BA's marketing strategy</li> <li>• The likelihood of the external influence(s) having a</li> </ul>

			positive/negative effect on BA's marketing strategy ARA
	Answer	Marks	Guidance
7*	<p><b>Level 4 (16–20)</b> Candidate shows <b>strong</b> knowledge, understanding, analysis and evaluation of whether BA could be described as a successful organisation.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of whether BA could be described as a successful organisation.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of whether BA could be described as a successful organisation.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of whether BA could be described as a successful organisation.</p> <p><i>The information is basic and communicated in an</i></p>	<p><b>20</b> (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p><b>Successful according to whom? The focus of any answer must be on how different stakeholders want different things – shareholders, directors, employees, customers, suppliers, competitors, government, local communities etc.</b></p> <ul style="list-style-type: none"> <li>• Customers have experienced a mixed bag – delays (Extract G), increased prices on some routes, restricted choice, improvements in booking technology, improvements in aircraft.</li> <li>• Shareholders- limited information but possible to speculate on how extract stories would have impacted on share price. Info on income falling by 13.7% and BA losing £1.6m per day.</li> <li>• Employees – depends on whether it is old or new crew. Very different deals and employment conditions. Fundamentally, BA staff must worry about future of the company, but lot of evidence either way, from viewpoint of employees, with regards to 'success' of BA.</li> <li>• Competitors – some eliminated by the 'alliance', but also monopoly on certain routes and clearly evidence of intense price competition. Competition generally increased and is exposing BA a little, but do not all compete in same market (top end v. no frills) but even this is changing as they overlap.</li> <li>• The fortunes of suppliers are linked directly to BA's success. The fact that BA still maintains its routes means that these firms have business but is highly likely that costs/prices of supplies (fuel, meals etc.) are squeezed.</li> <li>• Government – despite privatisation, BA is still the nation's flagship airline and its losses/fall in fortunes over the last 30 years would be an issue for the government somewhere along the line. Tax revenue?</li> </ul>

	<p><i>unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>Presumably diminishing. Source of employment?</p> <p>Evaluation could come from considering:</p> <ul style="list-style-type: none"> <li>• Comparing the differing perspectives of the stakeholders</li> <li>• The extent to which each stakeholder may see BA as successful</li> <li>• Which stakeholder might judge BA to be most successful (or not)</li> <li>• Ranking the stakeholders in terms of their judgement of the success (or not)</li> </ul> <p style="text-align: right;"><b>ARA</b></p>
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## APPENDIX 1 – GRID FOR 2017 EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
1	2		-	-	2	
2	2	2	-	-	4	
3	1	1	4	-	6	
4	2	4	6	8	20	
5a	1(1)	2(2)	-	-	3	3
5b	1(1)	1(1)	-	-	2	2
5c	1(1)	1(1)	-	-	2	2
5d	1(1)	2(2)	2(2)	-	5	5
5e	2	2	2	-	6	
6	2	2	3	3	10	
7	2	4	6	8	20	
<b>Total</b>	17	21	23	19	80	12

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