



National
Qualifications
2023

2023 Business Management

Higher

Finalised Marking Instructions

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General marking principles for Higher Business Management

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (c) For **describe** questions, candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points; they do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

- (d) For **explain** questions, candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

For each relevant point of reason candidates must give a point of identification and a point of explanation to gain a mark. This is exemplified in the marking instructions, a dash (—) is used to show the two parts of the response.

- (e) For **compare** questions, candidates must demonstrate knowledge and understanding of similarities and/or differences between things, methods or choices. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of comparison.

Where a mark is available for the development of a response this is exemplified in the marking instructions, a hollow bullet point is used to show the developed response.

Marking instructions for each question

Section 1

Question		Expected response(s)	Max mark	Additional guidance
1.	(a)	<p>sector of industry</p> <ul style="list-style-type: none"> • Tertiary sector - provides a service • Quaternary sector - provides information/knowledge-based services <p>sector of economy</p> <ul style="list-style-type: none"> • Private sector - owned by private individuals/shareholders/profit making 	2	<p>Candidates must describe both sectors to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>
	(b)	(i) <ul style="list-style-type: none"> • over 800 job losses - increasing unemployment in the UK <ul style="list-style-type: none"> ○ Government may have to pay more benefits to those unemployed ○ may result in financial hardship for employees who cannot find a new job ○ may lead to redundancy payments ○ may lead to bad publicity for Santander ○ staff may be fearful of redundancy which lowers motivation • trade unions consulted - Santander may have to agree to costly terms <ul style="list-style-type: none"> ○ time consuming to carry out • a third of the UK still does not bank online - Santander may lose out on customers who are technophobes/do not have internet access/security conscious <ul style="list-style-type: none"> ○ lower income for Santander from its branches due to closures • consumers still need access to cash - inconvenience to customers who may need to travel more to a branch <ul style="list-style-type: none"> ○ customers may switch to a competitor with a branch local to them 	3	<p>Candidates must explain at least 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<p>banking becomes portable by using the smartphone app</p> <ul style="list-style-type: none"> ○ can access online account from abroad ● secure login reduces the chance of theft ● saves time travelling to a local branch <ul style="list-style-type: none"> ○ no travel expenses ● payments and transfers are often instant online ● available 24/7 ● online support available 	4	<p>Candidates must describe at least 2 advantages to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Customer points only.</p> <p>Accept any other suitable response.</p>
	(c)	<p>increased interest rates</p> <ul style="list-style-type: none"> ● Santander may pay more out on customer savings ● increased number of customers opening savings accounts ● Santander will receive more on lending ● less customers borrowing <p>decreased taxation rates</p> <ul style="list-style-type: none"> ● Corporation tax - Santander will have to pay less on its profit/will have more profit after tax ● Income tax - customers may save more/borrow more ● improved cash flow 	2	<p>Candidates must describe the impact of both policies to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Labels for types of tax not required.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d) (i)	<p>Current Account</p> <ul style="list-style-type: none"> • can instantly access funds • can earn interest on current account balance • <u>overdraft</u> can allow quick borrowing/improve liquidity <p>Commercial Mortgages</p> <ul style="list-style-type: none"> • longer terms loans may have lower interest rate • used to purchase <u>property or land</u> which allows for growth <p>Asset Finance</p> <ul style="list-style-type: none"> • avoid a one-off large cost to purchase <u>equipment or vehicles</u> • after the final payment the asset will be owned by the business • can be offered with zero interest <p>Loans</p> <ul style="list-style-type: none"> • may be paid back in instalments • aids budgeting/cash flow 	4	<p>Maximum 1 mark per financial product.</p> <p>Watch for repetition eg interest/instalments.</p> <p>Do not accept benefits to Santander.</p> <p>Accept any other suitable response.</p>
	(ii)	<ul style="list-style-type: none"> • reduced risk as if one product is not performing well • attract a range of customers/can increase market share • brand loyalty means a customer may use more than one financial product from Santander • multiple income streams from different financial products/target markets • multiple financial products can give Santander a competitive edge 	3	<p>Award 1 mark for each valid justification.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	<p>Focus Groups</p> <ul style="list-style-type: none"> • a range of opinions from a group of customers • qualitative information may be difficult to analyse • participants will require payment or to be reimbursed for their time <p>Personal Interview/Street Survey</p> <ul style="list-style-type: none"> • often face-to-face questioning <ul style="list-style-type: none"> ○ provides instant clarification/feedback • shows body language/facial expressions which aids communication <p>Telephone Survey</p> <ul style="list-style-type: none"> • may be done by cold calling and asking questions • may be perceived as an invasion of privacy/nuisance by customers <p>Social Media</p> <ul style="list-style-type: none"> • gather information from customers who use social media and post comments • comments are ‘public’ so anyone can read reviews including competitors <p>Postal Survey</p> <ul style="list-style-type: none"> • sent out to customers’ homes, filled-in and returned • can target areas with specific attributes eg high income households • may be perceived as junk mail which lowers the response rate <p>Online Survey/EPOS/Test Marketing/Observation/Hall Test...</p>	6	<p>Candidates must describe at least 2 field research methods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for repetition between methods.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance	
	(f)	<ul style="list-style-type: none"> • Moneyfacts awards attract new business customers - as they are more trusting of Santander's service • Santander may increase its prices - as it offers an award-winning service <ul style="list-style-type: none"> ○ increased product profit margins • Santander may use the Moneyfacts awards in its marketing - this will help it gain a competitive edge over rival banks • Britain's Top Employer award can attract staff in the recruitment process <ul style="list-style-type: none"> ○ which can provide Santander with a better pool of candidates to choose from • Positive About Disabled People award can improve the image of the business 	3	<p>Candidates must explain at least 2 benefits to attract full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>	
	(g)	(i)	<p>Profit (Loss) for the Year Ratio</p> <ul style="list-style-type: none"> • Profit (Loss) for the Year/Sales Revenue x 100 • shows the Profit (Loss) for the Year as a percentage of sales after Santander has paid all its expenses 	1	<p>Award 1 mark for a valid description.</p> <p>Label not required.</p> <p>Accept shortened formula, eg PFTY/SR x 100</p> <p>Accept any other suitable response.</p>
		(ii)	<ul style="list-style-type: none"> • increase in sales revenue • improved gross profit • decrease in expenses • increase in other income 	2	<p>Candidates must describe 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>

Section 2

Question		Expected response(s)	Max mark	Additional guidance
2.	(a)	<ul style="list-style-type: none"> • if the legislation is not complied with - the organisation may be prosecuted/fined <ul style="list-style-type: none"> ○ reputation could be negatively affected ○ harder to recruit employees • employers may have to scrutinise their recruitment policies - this gives the HR staff additional work <ul style="list-style-type: none"> ○ keep a close eye on what goes on inside their workplace with regards to promotions, training and other career opportunities • wording in job adverts must not be discriminatory - therefore managers should check these carefully before advertising to ensure all working is acceptable • organisation needs to ensure the business is fully accessible to all by installing lifts, ramps etc./this can be costly to implement • the organisation has a responsibility to investigate any issues of discrimination/harassment/victimisation, against an employee, a customer or a third party - this could require extra staffing for HR • the organisation must take steps to ensure that all employees are aware of the Act, and what they need to do to comply with it - therefore staff training should take place 	4	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each development.</p> <p>Watch for repetition.</p> <p>Accept any other suitable response.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p>Horizontal Integration</p> <ul style="list-style-type: none"> • when two firms at the same stage of production combine <ul style="list-style-type: none"> ○ eliminate competition/increase market share <p>Backwards Vertical Integration</p> <ul style="list-style-type: none"> • when one firm combines with another at an earlier stage of production, for example combines with a supplier <ul style="list-style-type: none"> ○ greater control of inventory supplies ○ may reduce costs of supplies <p>Forwards Vertical Integration</p> <ul style="list-style-type: none"> • when one firm combines with another at a later stage of production, for example combines with a customer <ul style="list-style-type: none"> ○ can control promotion and pricing <p>Conglomerate Integration</p> <ul style="list-style-type: none"> • firms in completely different markets combine <ul style="list-style-type: none"> ○ reduces risk by providing different income streams <p>Organic Growth</p> <ul style="list-style-type: none"> • hiring more staff • opening more retail outlets/building new factories • launching new products <p>Diversification</p> <ul style="list-style-type: none"> • products are launched in new markets <p>Lateral Integration</p> <ul style="list-style-type: none"> • joining with a business in the same market that does not offer the same product/a complimentary business 	6	<p>Candidates must describe at least 2 methods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>No label required, but if a label is given then it must match the description.</p> <p>Accept Vertical and either FVI or BVI - not all 3.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
(c)	(i)	<ul style="list-style-type: none"> • calculations are more accurate using formulae - which means reduced errors • formulas can be replicated - which means time is saved • 'what if?' statements can be used - which means scenarios can be forecasted • charts and graphs can be easily made from data - which allows information to be easily compared/analysed <ul style="list-style-type: none"> ○ can show trends over number of years • conditional formatting can be used - which can make decision making easier • spreadsheets can be password protected - which secures financial information <ul style="list-style-type: none"> ○ reduces the likelihood of a data breach 	3	<p>Candidates must explain at least 2 benefits to gain full mark.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>
	(ii)	<ul style="list-style-type: none"> • computer facilities can be used for online purchasing of raw materials • email can be used to confirm orders have been placed/to let the operations department know that orders have been despatched • websites can be used to compare supplier prices/delivery times • using tracking number/QR codes/barcodes to locate where goods are in the delivery process • databases can be used to store supplier and inventory details • spreadsheet can be used to store/monitor inventory levels • Computer Aided Design (CAD) can be used to design a product before it goes into full production • Computer Aided Manufacture (CAM) uses machinery to produce the product • Electronic Point of Sale allows inventory levels to be monitored • EPOS can automatically reorder new inventory when the re-order level is reached 	2	<p>Candidates must describe 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Method does not need to be identified but it must be clear what method is being described.</p> <p>Responses must be related to the operations department.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
3.	(a)	<p>Advantages</p> <ul style="list-style-type: none"> • vacancy can be filled relatively quickly • managers already know if the employee is suitable for the vacancy • staff may be motivated if they see opportunities for internal promotion • the organisation can save the costs of induction and training new employees • there will be reduced advertising costs <p>Disadvantages</p> <ul style="list-style-type: none"> • it can limit new ideas being brought into the organisation • the number of candidates will be greatly reduced • when one vacancy is filled internally, another one is created • internal promotions can cause tension between staff 	4	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Accept any other suitable response.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> • Attainment test - allows candidates to demonstrate their skills, for example testing IT skills by completing a typing test <ul style="list-style-type: none"> ○ useful for making comparisons • Aptitude test - assesses if a candidate has the natural abilities/personal skills needed for the role, for example observing a teacher take a class before interview <ul style="list-style-type: none"> ○ can assess if staff will be the correct fit for a role ○ can reduce the need for some training needs if candidates are identified with natural abilities required • IQ test - measures an applicant's mental ability and intelligence <ul style="list-style-type: none"> ○ can provide information for easy comparison • Psychometric test - assesses an applicant's personality and mental suitability for a job <ul style="list-style-type: none"> ○ there are no right or wrong answers ○ the test gives an insight into how an applicant thinks would fit into the organisation • Fitness test - assesses physical ability which may be required for certain jobs, for example police, armed forces • Medical test - assesses physical attributes of a candidate which may be required for certain jobs, for example eyesight test for RAF 	5	<p>Candidates must describe at least 2 testing methods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>Advantages</p> <ul style="list-style-type: none"> • it makes staff more confident to do their job • it improves the skills of employees • it can help to improve the quality of products/service • it can improve the image of the organisation • can encourage more people to want to work for them • it could reduce the number of workplace accidents • it can be used to develop skills to cope with change in an organisation <p>Disadvantages</p> <ul style="list-style-type: none"> • training can be costly to an organisation if outside training providers are used • training can lead to lost production time <ul style="list-style-type: none"> ○ late delivery can lead to loss of customers 	4	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>
	(d)	<ul style="list-style-type: none"> • employees' motivation is affected by hygiene and motivator factors • hygiene factors will not motivate employees • If hygiene factors are not met, they can lower motivation • motivator factors will not necessarily lower motivation if they are absent • if motivators are present these can be responsible for increasing motivation 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
4.	(a)	<p>Advantages</p> <ul style="list-style-type: none"> • the brand name is already established • franchiser will advertise nationally • franchiser may provide training <ul style="list-style-type: none"> ○ therefore staff are skilled and competent <p>Disadvantages</p> <ul style="list-style-type: none"> • the cost to buy into a franchisee agreement is often expensive <ul style="list-style-type: none"> ○ which may result in the franchisee having to borrow finance/ incur debt • after some time the franchiser may not renew the contract <ul style="list-style-type: none"> ○ which will leave the franchisee without a business • royalty fees are paid regularly <ul style="list-style-type: none"> ○ which lowers profit figures • store layout, prices and promotion etc are dictated <ul style="list-style-type: none"> ○ creativity can be stifled 	5	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>
	(b)	<ul style="list-style-type: none"> • sets the objectives of an organisation • long term decisions • made only by top level managers/owners • are high risk decisions • tend to be proactive <ul style="list-style-type: none"> ○ allows them to stay ahead of competition • affect the entire company and all stakeholders 	3	<p>Candidates must describe at least 2 features to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>conflict of interest between employees and managers</p> <ul style="list-style-type: none"> managers may want to cut wages to cut costs whereas employees may want wage rises managers may want to increase workload to increase efficiency whereas employees may want their workload reduced <p>interdependence between employees and managers</p> <ul style="list-style-type: none"> employees need managers to set them tasks so that they can get paid, whereas managers need employees to carry out the tasks 	2	<p>Candidates must describe both points to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>
	(d)	<ul style="list-style-type: none"> Development - no profit/loss is made Introduction/Launch - profits may be low/none at all Growth - profits should start to steadily increase Maturity - profit is stable/at its highest point Saturation - profits begin to fall Decline - profits continue to fall/fall rapidly 	5	<p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
5.	(a)	<ul style="list-style-type: none"> • use renewable energy (such as solar/wind energy) • use sustainable raw materials • use fair trade products • use alternatives to testing on animals • give/donate to charities • set up their own charitable arm • offer products/services for free to good causes • encouraging staff to undertake voluntary work during working hours • use less packaging on goods • recycle packaging/materials • switch to bio-fuels in production <p>Also accept broader 'ethical' examples:</p> <ul style="list-style-type: none"> • pay fair wages (beyond the minimum/living wage) • offer fair working conditions for staff • ensure fair and proper (ethical) marketing • set/offer fair prices • avoid deforestation • avoid exploiting child labour 	5	<p>Candidates must describe at least 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance												
(b)		<table border="1"> <thead> <tr> <th>Labour-intensive</th> <th></th> <th>Capital-intensive</th> </tr> </thead> <tbody> <tr> <td>production has to come to a halt if staff are ill or absent</td> <td rowspan="5" style="text-align: center; vertical-align: middle;">whereas</td> <td>machines can work 24/7</td> </tr> <tr> <td>individual customer requirements can be met</td> <td>production can be standardised/products are mass produced</td> </tr> <tr> <td>quality may vary from employee to employee</td> <td>allows for consistent quality</td> </tr> <tr> <td>costly due to recruitment/selection/training costs</td> <td>costly due to purchasing/maintaining machines</td> </tr> </tbody> </table>	Labour-intensive		Capital-intensive	production has to come to a halt if staff are ill or absent	whereas	machines can work 24/7	individual customer requirements can be met	production can be standardised/products are mass produced	quality may vary from employee to employee	allows for consistent quality	costly due to recruitment/selection/training costs	costly due to purchasing/maintaining machines	3	<p>Award 1 mark for each valid comparison.</p> <p>Watch for flips.</p> <p>Accept any other suitable response.</p>
Labour-intensive		Capital-intensive														
production has to come to a halt if staff are ill or absent	whereas	machines can work 24/7														
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quality may vary from employee to employee		allows for consistent quality														
costly due to recruitment/selection/training costs		costly due to purchasing/maintaining machines														
(c)			<ul style="list-style-type: none"> • inventory has to be delivered to each department or division <ul style="list-style-type: none"> ○ which may cause delays ○ can incur additional transport cost • additional security staff may need to be employed • increased communication is required from divisions/departments to accommodate for fluctuations in inventory • specialist equipment needs to be purchased/maintained • wage costs of specialist staff can be high • a central area for storing inventory could be expensive to set up/maintain 	4	<p>Candidates must describe at least 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>DNA advantages.</p> <p>Accept any other suitable response.</p>											

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<p>Advantages</p> <ul style="list-style-type: none"> • staff will not treat them differently as it involves someone unknown to the organisation • it should give an impartial account of the quality of service from an external perspective • it will ensure that staff treat every customer equally well • positive feedback can motivate staff • the business may be able to improve its procedures following feedback <p>Disadvantages</p> <ul style="list-style-type: none"> • staff may feel threatened by the use of mystery shoppers and so it may have a negative impact on service • have to pay mystery shoppers • mystery shoppers only experience one day/one branch which may not be representative of the business as a whole 	3	<p>Award 1 mark for each valid discussion point.</p> <p>Accept any other suitable response.</p>

[END OF MARKING INSTRUCTIONS]