

Unit 4A: Making Business Decisions

Marking Scheme

Question Number	Question	
1.	What is meant by the term 'Corporate Objective'?	
	Answer	Mark
	<p>Knowledge up to 2</p> <ul style="list-style-type: none"> Quantifiable statement of a business' goals (1 mark), which should include measurable targets (1 mark) Specific goals that help the business meet their long-term aims(1 mark) or mission (1 mark) What the business aims to achieve (1 mark), for example Growth (1 mark); Survival (1 mark); Maximise profits (1 mark) <p>Notes:</p> <ul style="list-style-type: none"> - Aim/ mission: to be number 1 car seller in world (vision/ overall) - Corporate objective: increase sales by 10%in 5 years (quantifiable/ SMART) - Strategy: merge with competitors; joint ventures etc. (specific things done to achieve objectives and aims) <p>NB: Reward 'how' only if objectives are linked to aims or mission NOT as a means to achieving objective.</p> <ul style="list-style-type: none"> 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative 	1-2

Question Number	Question	
2.	What is meant by a business' Distinctive Capabilities?	
	Answer	Mark
	<p>Knowledge up to 2:</p> <ul style="list-style-type: none"> A competitive advantage (1 mark) that distinguishes one firm from another (1 mark) Accept 'comparative advantage' (BOD) (1 mark) An asset/ strength (1 mark) on which future growth can be built (1 mark) a unique quality of the business (1 mark) <ul style="list-style-type: none"> E.g. contacts within or around the organization with customers, suppliers and with employees (1 mark) E.g. Reputation: this includes customer's own experience, quality signals etc. (1 mark) E.g. Innovation: provided that the innovation is translated to competitive advantage successfully (1 mark) E.g. Toyota as pioneer of J IT etc. (1 mark) Quality and reliability (1 mark) 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative. 	1-2

Question Number	Question	
3.	With reference to additional evidence H, explain the difference between a strategic decision and a tactical decision.	
	Answer	Mark
	<p>Knowledge up to 2</p> <ul style="list-style-type: none"> • Strategic Decisions. These affect the long-term direction of the business (1mark) what a company does to meet its overall aims and objectives (1 mark) eg whether to take over another business (1 mark). It will be aimed at helping the business achieve its long-term objectives (1 mark) Strategic decision pro-active (1 mark) • Tactical Decisions. These are short (1 mark) or medium-term (1 mark) decisions about how to implement strategy (1 mark) eg what kind of marketing to have; which suppliers to use; or how many extra staff to recruit (1 mark for any of these.) They are sometimes made as a reaction to a competitor(1mark) or sometimes to gain a competitive advantage (1 mark) or unforeseen events (1 mark) Tactical decisions are often reactive (1 mark) <p>Application up to 2</p> <ul style="list-style-type: none"> • In this case Toyota’s decision to work with Tesla is strategic (‘potentially massive shift in Toyota’s long-term policy’)(1 mark), whereas their decision to recall faulty cars is more tactical (1 mark) • Joint venture with Tesla could be seen as a tactical decision if it is to gain knowledge of electric cars in order to gain a competitive advantage (1 mark) <p>Analysis 1</p> <ul style="list-style-type: none"> • The decision to work with Tesla could be an attempt to develop its product range (1 mark) by moving into a new market (1mark) • A joint venture is a strategic move and therefore the link with Tesla is an example of this (1 mark) • The decision to work with Tesla helps Toyota achieve their long-term aim of selling more environmentally friendly products (1 mark) 	<p>1-2</p> <p>1-2</p> <p>1</p> <p>Total (5 marks)</p>

Question Number	Question	
4.	Explain two ways in which Toyota's 'Guiding Principles' (Evidence C) seem to conflict with the current problems of car safety faced by the company.	
	Answer	Mark
	<p>Knowledge up to 2 marks</p> <ul style="list-style-type: none"> • Guiding principles are a version of a mission statement (1 mark); they are aimed at motivating workers (1 mark); they link to the business objectives (1 mark) used to guide the business (1 mark) • Conflict occurs when the promises/ principles of the business (1 mark) claim something different to the actions of the business (1 mark) • Knowledge of appropriate methods of guaranteeing safety e.g. quality assurance (1 mark) <p>Application up to 2 marks</p> <ul style="list-style-type: none"> • Respecting and honouring the laws of the country (1 mark) conflicting with allegedly breaking safety laws (1 mark) • Produce clean and safe products (1 mark) in conflict with recall of cars due to safety fears (1 mark) • Pursuing growth in harmony with the global community (1 mark) conflicting with Toyoda's claim of growth being too rapid (1 mark) • Honoring mutual trust and respect between labour and management (1 mark) conflicting with rapid, imposed growth from a hierarchical/ power culture (1 mark) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • Guiding principles can lead to a conflict between stakeholders (1 mark) • Faulty workmanship led to safety problems (1 mark) • Clean and safe products were sacrificed in order to produce more cars to expand market share (1 mark) <p>NB - Example of guiding principle (1 mark application), explanation of conflict with safety/recall problem (1 mark analysis)</p> <p>If only one way cap at 3 marks</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p> <p>Total (6 marks)</p>

Question Number	Question	
5.	Using Ansoff's Matrix, analyse Toyota's decision to enter into a joint venture with Tesla Motors (additional evidence H)	
	Answer	Mark
	<p>Knowledge up to 2 marks</p> <ul style="list-style-type: none"> • A joint venture is when two businesses work together (1 mark), whilst staying as separate companies (1 mark) • Accurate knowledge of Ansoff e.g. compares risk (1 mark), shows strategies in terms of market (new/ existing) (1 mark) or product (new/ existing) (1 mark) • Knowledge of individual Ansoff strategies with explanation e.g. Market Development - existing product/ new market(1 mark); Product development - existing market/ new product(1 mark); Diversification - new product/ new market(1 mark); Market Penetration - more product to more of existing market (1 mark) • Completed Ansoff's Matrix, no context (1mark) <p>Application up to 2 marks</p> <ul style="list-style-type: none"> • Tesla is a specialist manufacturer of battery-powered cars (1 mark) • Moving into battery-powered cars is Product Development (1 mark) as it is selling new types of cars (1 mark) to existing customers (1 mark) or arguably Market Development (1 mark), selling similar products to new customers (1 mark), or even Market Penetration (1 mark), as the Prius has an electric motor (1 mark) • Diagrams of Ansoff's Matrix with appropriate labelling to show context (2 marks) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • Market/ product development helps to spread risk (1 mark) and open up new markets (1 mark) to new customers (1 mark) • Tesla are an established business in this market (1 mark) and therefore have experience (1 mark) and understanding (1 mark) of the market, minimising risk (1 mark) 	<p>1-2</p> <p>1-2</p> <p>1-2</p> <p>Total (6 marks)</p>

Question Number	Question		
6.	Some car dealerships in the USA are considering selling one of their Toyota models at a price below total cost in response to recent product recall problems. The lower price will still provide a positive contribution to the dealership's fixed costs. Assess whether the dealership should go ahead with this decision.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of Contribution, pricing or cost calculation	<ul style="list-style-type: none"> Contribution is Price per unit minus variable cost per unit Goes towards paying the business' fixed costs and then goes towards profit of the business Total costs = Variable costs plus fixed costs Could be considered a 'special order' Knowledge of qualitative factors that affect decisions
Level 2	3-4	Answers should be applied to Toyota. NB - answers that discuss the merits of a price reduction, but with no knowledge of Fixed, Variable costs or contribution - cap at 3 (application)	<ul style="list-style-type: none"> Positive contribution means price is above variable cost per car Variable costs include the cost of the car, wages, commission on sales, demonstrator fuel, pre-delivery inspection Fixed/ Total costs will include overheads such as costs of show room premises, administrative costs, equipment Qualitative factors applied: capacity of the dealership/ taking up forecourt space; brand image as a result of price reduction etc.
Level 3	5-6	Candidate analyse using reasons/ causes/ consequences/ costs of this decision to the dealerships <i>No context - cap at 5.</i> Arguments will be one-sided.	<ul style="list-style-type: none"> Positive contribution still means some, but not all fixed costs will be met Dealerships will be losing out because fixed costs still have to be paid Price reduction may be seen as desperate, damaging the dealer's image in the long-term If the dealership has past breakeven point, then fixed costs will already have been covered, so all revenue becomes profit for the dealer
Level 4	7-9	<u>Low Level 4: 7-8 marks</u> Arguments for and against dealerships going ahead with the price change in the USA <u>High Level 4: 9 marks</u> Expect to see convincing evaluative points with a conclusion.	<ul style="list-style-type: none"> This is only one model amongst a range, so dealerships could fund the decision from sales of other models/ cars It is expensive to store unsold stock, so it is better to sell cars at a loss than not at all Sales in the US have been hit by the recalls (evidence F), so it is probably a good move.

			<ul style="list-style-type: none">• Sales in the US have been badly damaged by the safety scare. It is only US dealerships and not the company that are considering the move, so perhaps the global brand will be less damage. However, reducing prices in the US below Total Costs is likely to be seen as desperate, and even if the dealer's fixed costs can be met by sales of other models, there will still be a conflict with Toyota's traditional reputation built on quality. The recall should be enough to address customers' fears; a price reduction could lead to more long-term damage to the brand as prices may have to stay low permanently.
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