

[C010/SQP156]

Advanced Higher
Business Management
Specimen Question Paper

Time: 2 hours 30 minutes

NATIONAL
QUALIFICATIONS

100 marks are allocated to this paper.

Candidates should read the case study material.

Answer **all** questions in Section One (50 marks).

Answer **two** questions in Section Two (50 marks).

Read the case study material on Stagecoach plc which begins on *Page four*. It relates to the situation in summer 1999.

You should note that, although the following questions are based on the case study material, the case study does not contain all the information needed to provide suitable answers to all the questions. You will need to make use of knowledge you have acquired whilst studying the course.

SECTION ONE

Attempt ALL of questions 1–6.

- | | | |
|----|--|------|
| 1. | Assess the extent to which the activities of Stagecoach plc are consistent with its mission statement . | 5 |
| 2. | Select one stakeholder in Stagecoach plc. Analyse the way in which they can influence the operation of the company. | 4 |
| 3. | Stagecoach plc moved into rail operations in 1996 when it obtained a 7-year franchise to run South West Trains.
Making use of force field analysis , assess the forces that may have driven this change and those which may have restrained it. You should include a diagram in your answer. | 16 |
| 4. | Stagecoach plc has developed its overseas operations by buying locally-based companies. Suggest reasons why they have used this method in preference to foreign direct investment. | 8 |
| 5. | Many UK based companies have attempted to enter the US market and been unsuccessful. In the light of this experience, analyse the case for Stagecoach's proposed acquisition of Coach USA. | 8 |
| 6. | Discuss the ways in which the staff development initiatives and working procedures adopted by Stagecoach plc may affect the motivation to work of staff in the company. | 9 |
| | | (50) |

SECTION TWO

Attempt any TWO of the following questions. Each question is worth 25 marks.

7. (a) Explain how the Chief Executive could apply **each** of the following to his role within Stagecoach plc:
- planning;
 - organising;
 - controlling;
 - co-ordinating;
 - commanding.
- 15**
- (b) Assess the extent to which Stagecoach plc could be said to be an organisation which is “socially responsible”.
- 10**
(25)
8. (a) Explain how Stagecoach plc might make use of any **two** of the following:
- market research techniques;
 - human resource planning;
 - cash flow forecasts;
 - market segmentation.
- 16**
- (b) Analyse the effects on host countries that may have occurred as a result of Stagecoach’s expansion overseas.
- 9**
(25)
9. The management training courses run by Stagecoach plc are intended to improve managerial performance and to help new managers to be effective. What advice would you give to a new manager in Stagecoach plc (eg of a bus depot) with respect to:
- (a) building effective teams; **13**
- (b) leadership style? **12**
- (25)**
10. Stagecoach plc began as a small business based in Perth operating two buses. Analyse the personal qualities which people like the founders of Stagecoach plc are likely to require if they are to be successful in running a business. **(25)**

[Turn over

STAGECOACH plc

Background information

Stagecoach was founded in 1980 in Perth by a brother and sister. It became a public company in 1993 and its shares are now included in the FTSE 100 index. It began as a bus operator and this remains a major part of its business, although it now has interests in other parts of the transport market in the UK, as well as owning bus companies in other countries. It has expanded rapidly, particularly in the 1990s, through a policy of buying other companies. Often the other companies have been making a loss at the time of acquisition but have been turned into profit through Stagecoach's management capabilities and its ability to attract new customers, often after some restructuring. In this it has been helped by the wish of governments throughout the world to privatise transport operations that were previously run as publicly owned enterprises.

The company's mission statement is:

Stagecoach aims to provide long-term shareholder value by creating a global transport business, focused on innovation and quality, which benefits both our customers and employees.

It presently has 6 divisions, details of which are given in Exhibit 1. Exhibit 2 gives some statistical information on the company.

Bus operations

The UK Bus Group is the largest division and has 16% of the UK market. It runs more than 7,400 buses and has made considerable investments in new buses which are more accessible to passengers (eg low floor buses) and meet EU standards on fuel efficiency and emissions. On average, its buses are 6–7 years old which makes it the youngest fleet in the UK. Stagecoach believes that these buses provide an alternative to private cars by alleviating congestion as well as reducing fuel emissions. Other innovations include new ticketing equipment for Stagecoach Manchester which embraces Smart Card technology.

Stagecoach aims to increase the use of public transport in the UK. A key factor in this is the Government's commitment to an integrated public transport system. To this end, Stagecoach has developed a number of bus/rail integration schemes and agreed several quality partnerships with local authorities. These aim to link together all local public transport provision and ensure that bus provision is suited to local needs, eg, in Exeter, Stagecoach Devon provides services from Park and Ride sites into the town centre. Stagecoach has also secured a number of government grants to run rural bus services, especially in Scotland.

However, Stagecoach believes there are limited opportunities for expansion in UK markets. Its success in this country plus the international deregulation of bus and rail services has led it to expand overseas. Expansion has been through the acquisition of local companies, eg, a school bus operator in Queensland, Australia was purchased in 1998. Not all acquisitions have been successful and its operations in Kenya were sold in 1998. Further acquisitions are expected and the company has plans to buy the American bus operator, Coach USA.

Stagecoach adopts similar policies abroad to those in the UK. For example, it has recently introduced low floor, wheelchair access midi buses in New Zealand. In 1998, it also bought Fuller's Ferries which runs 9 ferries between Auckland and surrounding islands in New Zealand. This has enabled the company to move towards integrated land/sea travel by offering discounted day and monthly passes valid on both ferries and buses. Smart Card technology is used in Citybus in Hong Kong for fare payments where a swipe card system exists.

Train operations

Stagecoach has instituted a major customer service improvement programme in South West Trains, which operates commuter services from Waterloo Station in London. In response to customer complaints, more train cleaners have been introduced and investments made to improve the reliability and punctuality of trains. More security staff have been recruited to make trains safer at weekends and in the evenings.

As with its bus services, Stagecoach is seeking to enhance the image of public transport and make it more attractive to the travelling public. Additional services have been timetabled in an attempt to realise the company's aim of a "turn up and go" service for passengers. At Supertram in Sheffield, commuters can use a Megarider ticket to travel by bus and tram from the outskirts to the city centre.

A major reason for the purchase of a 49% stake in Virgin Rail in 1998 was to develop integrated timetabling, joint bus/rail ticketing and bus links to key rail stations. For example, bus services in North West England have been re-launched as "integrated bus services" which offer through ticketing between bus and rail, timetables co-ordinated to connect better with trains and re-routing of buses closer to railway stations. Prestwick Airport has its own purpose built railway station and it also offers opportunities to integrate transport systems.

People and management

Stagecoach has been involved in a number of initiatives to encourage staff development. These include:

- developing employee forums to inform employees on performance of the company. These cover local briefing sessions (eg, at bus depots) to company wide forums such as a European Works Council and Health & Safety Committees
- comprehensive training courses in management and supervisory development, customer service, technical training, all of which are delivered to national standards
- introducing Open Learning Centres which provide self-development opportunities for staff. These are run in partnership with the trade unions and the first was opened at Waterloo Station in March 1999
- giving employees the opportunity to volunteer to work with primary schools on Real Maths projects which aim to increase mathematical abilities among young children.

An example of working practices within the group comes from the UK Bus division. Performance related pay has been phased out but wage settlements have had to ensure that high quality staff are attracted and retained. A flexible approach to part-time working has been adopted which aims to provide a better fit between the job and other commitments of staff such as family responsibilities. These measures have reduced staff turnover for Stagecoach.

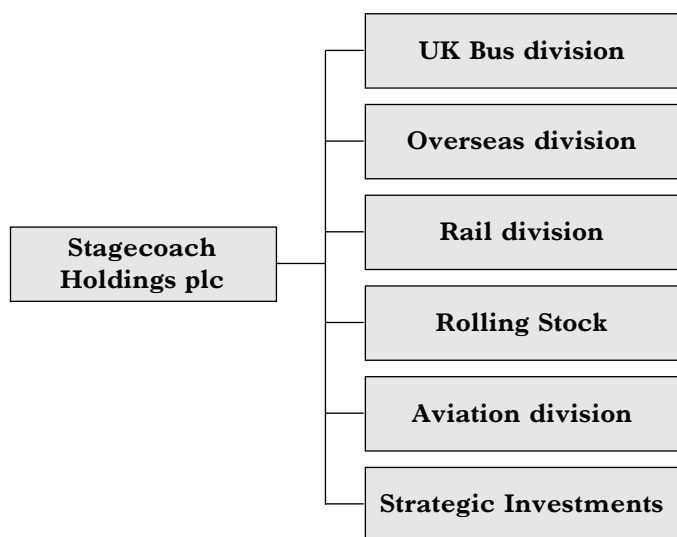
Exhibit 3 gives some quotes from the two senior managers of Stagecoach and Exhibit 4 shows the summary consolidated cash flow for the year ended April 1999.

[The above information is taken from the 1999 Annual Review of Stagecoach plc and the company's website at www.stagecoachplc.com]

[Turn over

Exhibit 1

The parent company, Stagecoach Holdings plc, is organised into 6 divisions, as follows.



UK Bus division

This consists of 21 companies throughout the UK including Bluebird, Fife, Western, Cambus, East London and East Kent. Each company runs bus services in the area it serves. The UK Bus division is organised into 3 regional divisions (each of which has several operating companies) and has 70 profit centres.

Overseas division

This consists of Swebus in Sweden, Citybus in Hong Kong, Stagecoach Finland, Stagecoach New Zealand and Australia and Stagecoach Portugal. The company also has interests in Fuller's Ferries in New Zealand, Sita Buses in Italy and Kwoon Chung Buses in the People's Republic of China.

Rail division

This comprises 3 companies: South West Trains, which is the largest single rail franchise in the UK; Island Line which is the smallest franchise and operates in the Isle of Wight; Supertram, which runs trams in Sheffield. Island Line was the only train operating company to gain an A rating in all aspects of the rail regulator's 1999 quarterly review.

Rolling Stock division

This consists of a single company, Porterbrook, which leases trains to train operating companies.

Aviation division

This comprises Glasgow Prestwick International Airport acquired by Stagecoach in 1998.

Strategic Investments division

These are major shareholdings which Stagecoach has in two other companies, Road King, a company operating toll roads in China and Virgin Trains, a UK train operating company.

Exhibit 2**Financial information on Stagecoach plc**

Year	1995	1996	1997	1998	1999
Turnover (£m)	338	501	1,153	1,347	1,548
Profit before tax (£m)	32.6	43.6	120.5	155.7	210.1
Operating profit (£m)	39.8	55.8	148.0	216.3	274.7
Capital investment (£m)	68.8	72.0	110.8	205.9	263.1
Dividend per ordinary share (pence)	1.0	1.3	1.8	2.4	3.0

*More information on operating divisions***UK Bus**

Annualised turnover	£517 m
Employees	17,900
Fleet	7,400
Passengers carried	745 m
Miles covered	330

Aviation

Annualised turnover	£22 m
Employees	400
Cargo handled (tons)	42,000
Passenger traffic	600,000

Rail

Annualised turnover	£350 m
Employees	4,400
Passengers carried	134 m

Rolling Stock (Porterbrook)

Annualised turnover	£270 m
Employees	49
It serves 18 train operating companies	

Overseas

Annualised turnover	£420 m
Employees	11,500
Fleet	5,370

[Turn over

Exhibit 3

Some quotes from the 1999 Annual General Meeting of the company.

Chairman

“A new chief executive has been appointed for the Virgin Rail Group and renewed focus is being placed on the operational performance of the business, and already improvements in reliability and punctuality are being delivered.”

“We are confident that there is substantial latent passenger demand (for train services) and we note that inter-city passenger numbers are growing organically at very high rates across Northern Europe.”

“We are now in a new phase with the emergence of truly global transport groups . . . the majority of markets are now open to private sector investment and the restrictions on foreign ownership are fast disappearing.”

“The success and growth of the company depends on the commitment and support of our staff and it is encouraging to hear anecdotal reports from visitors who have found friendly staff as well as quality services with Stagecoach companies around the world.”

Chief Executive

“Stagecoach is very much in the people business and, as such, we understand the key role that our employees play in providing high quality, safe and affordable services for our customers.”

“Our proposed acquisition of Coach USA provides us with a strong market presence and a committed and experienced management team from which we can expand our presence in North America.”

“Our overseas operations contribute to our management knowledge and expertise and provide a springboard to other potential growth projects.”

Exhibit 4

Summary consolidated cash flow statement, year ended April 1999.

	1999	1998
	£m	Restated £m
Net cash inflow from operating activities	452.3	413.4
Dividends from joint venture and associate	3.1	nil
Returns on investments and servicing of finance		
Interest paid	(82.1)	(69.1)
Interest element of HP and lease finance	(11.4)	(10.9)
Interest received	36.6	21.9
Eurobond issue costs	Nil	(0.6)
Net cash outflow from returns on investments and servicing of finance	(56.9)	(58.7)
Taxation	(44.3)	(47.4)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(93.6)	(129.9)
Maintenance capital expenditure	(74.4)	(83.0)
Sales of tangible fixed assets	22.0	18.6
Net cash outflow for capital expenditure and financial investment	(146.0)	(194.3)
Acquisitions and disposals		
Acquisition of subsidiaries	(203.3)	(13.5)
Net cash/(overdraft) acquired with subsidiaries	8.8	(4.0)
Purchase of goodwill	Nil	(4.8)
Purchase of investments in joint venture and associate	(152.6)	(67.5)
Purchase of other investments	(0.1)	(0.7)
Disposal of subsidiaries net of cash	0.6	2.2
Net cash outflow from acquisitions and disposals	(346.6)	(88.3)
Equity dividends paid	(32.3)	(22.5)
Net cash (outflow)/inflow before management of liquid resources and financing	(170.7)	2.2
Financing		
Issue of Eurobonds	Nil	124.1
Sale of tokens	15.6	17.4
Redemption of tokens	(14.7)	(12.6)
Issue of share capital for cash	307.2	0.2
Costs of issuing new shares	(5.4)	(0.1)
Increase/(decrease) in collateral balances	1.3	(7.9)
Repayment of loan notes	(1.0)	(2.7)
Increase in overseas borrowings	56.3	7.3
Increase/(decrease) in UK borrowings	65.5	(85.4)
Repayments of hire purchase and lease finance	(93.5)	(68.7)
Net cash inflow/(outflow) from financing	331.3	(28.4)
Increase/(decrease) in cash during the year	160.6	(26.2)
Free cash flow	279.8	224.3
Free cash flow per share	21.2p	18.7p

[END OF QUESTION PAPER]

[C010/SQP156]

Advanced Higher Time: 2 hours 30 minutes
Business Management
Specimen Marking Instructions

NATIONAL
QUALIFICATIONS

Business Management

Advanced Higher

Specimen Marking Instructions

NB Credit should be given for any relevant and accurate point or example. Answers which make strong reference to examples drawn from Stagecoach should be rewarded.

Marks may not be carried over from one section to another

SECTION ONE

Question 1

(5 marks)

1 mark for each suitable point, with 1 mark for additional development points.

- is creating global transport system (buses, trains, ferries)
- developing integrated transport networks (eg in NZ)
- has innovated (eg new kinds of buses; ticketing)
- has won awards for quality of service (eg Island Line)
- dividend per shareholder has been rising

Question 2

(4 marks)

1 mark for each suitable point, with 1 or more marks for each development of a point or a suitable illustrative example.

- choice of suitable stakeholder eg shareholder, government
- identification of influence eg deregulation by government; government transport policy; rural bus grants
- suitable methods of influence eg in terms of type of services provided, type of investment undertaken, timetabling, bus emissions etc.

Question 3**(16 marks)**

Up to 4 marks for a suitable force field diagram ie drivers, resistors, different size of arrows to show relative importance, assets for change.

Up to 6 marks for drivers and up to 6 marks for resistors. 1 mark for each suitable point, with 1 mark for each development of a point (including mention of assets for change). Credit should be given for any suitable examples. In order to gain all 6 marks for drivers/resistors, at least two different forces should be discussed in each case.

- drivers include increased profitability; limited opportunities in bus market; fit in with government's integrated transport policy; develop new ways of integrating bus/train services etc
- resistors include lack of expertise in train market; need for heavy investment; poor image of train services; possible difficulties of new franchise and new system; franchise for 7 years only etc
- assets for change include management experience elsewhere in transport industry; strong management support because it fits in with mission statement

Question 4**(8 marks)**

1 mark for each suitable point, with 1 mark for each development of a point. A maximum of 3 marks should be given for each separate reason.

- get access to local experience, knowledge of local conditions etc and are less likely to make mistakes about them
- similar approach has worked well in UK so Stagecoach know how to deal with such situations (have a variety of transport solutions in UK)
- quicker than FDI because companies are already up and running
- less expensive than FDI because companies may be loss making and can be obtained relatively cheaply
- may be easier to effect changes in existing operation eg new buses in New Zealand
- enable movement into new areas of business eg road toll operation in China

Question 5**(8 marks)**

1 mark for each suitable point, with 1 mark for each development of a point.

- successful track record elsewhere in the world (eg Hong Kong, Scandinavia)
- strong management expertise in the bus industry
- fits in with mission statement and so is consistent with company's stated strategy
- US is a large market and addresses problems of limited opportunities for expansion elsewhere
- can tap into local knowledge of Coach USA and are not starting from scratch
- danger of overstretching senior management as expansion of company has been rapid in recent years
- investment demands in USA may be large - bigger more widespread market than those tackled so far

Question 6**(9 marks)**

1 mark for each suitable point, with 1 mark for development points, including suitable examples.

- reference to suitable methods of enhancing motivation eg job enrichment, job enlargement, empowerment
- examples which link approaches to enhancing motivation with Stagecoach's activities
- eg customer service and technical training may empower staff as may briefing sessions which may encourage staff to take responsibility for their work
- eg job enrichment may be achieved through training, open learning
- eg visiting schools, open learning may illustrate job enlargement
- all staff development may encourage staff to achieve and give them a pride in the company (cf job enrichment) and encourage staff to stay (low labour turnover)
- removal of performance related pay suggests that financial bonus schemes do not contribute to motivation

SECTION TWO**Question 7****Part (a)****(15 marks)**

Up to 4 marks each for the 5 elements of management up to a maximum of 15
1 mark for each suitable point, with 1 mark each for a development point
To gain all 15 marks, all 5 elements must be discussed. A maximum of 13 marks should be given if only 4 elements are discussed and a maximum of 11 if only 3 elements are mentioned.

- for each element an indication must be given that the student is aware of what the element involves eg planning is 'assessing the future and making provision for it'; 'commanding is setting an example to staff' eg leading
- examples of each element related to Stagecoach should be given and explained
- planning - acquisition of Coach USA
- organising - setting up 3 regional divisions for UK Bus division
- controlling - checking on customer complaints about clean trains
- co-ordinating - developing bus /rail links
- commanding - staff development and training

Part (b)**(10 marks)**

1 mark for each suitable point, with 1 mark for each development of a point. A maximum of 4 marks should be given for each point discussed.

- explanation of social responsibility eg taking into account obligations to wider society
- concern for fuel emissions (but only obeying legislation)
- concern to remove some of social costs of private car eg congestion
- consistency with government policy to enhance public transport
- concern for innovation and quality which will help customers (but mission statement also refers to shareholders - first - and meeting customer needs will improve profits and dividends)
- open learning centres for employees

Question 8

Part (a)

(16 marks)

1 mark for each suitable point, with 1 mark for each development of a point. A maximum of 9 marks may be given to each technique up to a maximum of 16 for both. Answers will depend on the choices made but marks should be awarded for:

- suitable definition of technique
- general examples to illustrate the use of the technique
- specific examples of how Stagecoach may use the technique
- eg market research techniques could be used to identify future markets for transport; find out customer attitudes to quality; find out attitudes to improvements like security guards, cleaners etc
- eg human resource planning can be linked to training courses and staff development
- eg cash flow forecasts may be important in an acquisition to know how much cash is coming in (eg from passengers) and how much is going out (eg on investment); measure of liquidity of new acquisitions
- eg segmentation may help in targeting new openings (eg school bus routes in Australia; commuter traffic on South West Trains and in Sheffield; business travellers at Prestwick)

Part (b)

(9 marks)

1 mark for each suitable point, with 1 mark for each development of a point. To gain all 9 marks, at least 3 separate points should be made.

- bringing in new management expertise in bus operation
- introducing innovations in products (eg new buses) and processes (eg integrated transport systems additional investment etc)
- cross-fertilisation of ideas from elsewhere
- increased employment opportunities
- payment of additional taxes (eg if profits go up)
- provide openings for local companies (eg as suppliers)

Question 9

Part (a)

(13 marks)

1 mark for each suitable point, with 1 mark for each development of a point. This question can be answered in a more general way but any examples from Stagecoach should be rewarded.

- agree clear and challenging objectives (eg on standards of customer service, quality)
- identify a team's customers and what their needs are (eg bus travellers of various kinds)
- seek a balance between task and process
- clarify team roles
- explanation of Belbin's team roles and their contribution to an effective team
- team development may take some time - forming, storming, norming and performing
- develop good inter-personal skills among team members (eg training may be needed, open learning)
- develop a co-operative, supportive atmosphere
- agree suitable team procedures

Part (b)**(12 marks)**

1 mark for each suitable point, with 1 mark for each development of a point.
This question can be answered in a more general way but any examples from Stagecoach should be rewarded.

- definition of various leadership styles (eg autocratic, participative, laissez faire)
- comparison between styles in terms of advantages and disadvantages (eg autocratic is good in crisis situations but may affect morale in long term; participative may keep staff happy but at the expense of achieving targets)
- reference to contingency theory (ie need to get a fit between the leader, the led, task and the context)
- Stagecoach are keen to ensure that they have a highly committed staff, many staff work independently and customer service is important. This suggests that a leadership style tending to the participative may be more effective
- whatever style is used it must deliver Stagecoach's objectives (eg need to retain staff)

Question 10**(25 marks)**

1 mark for each suitable point, with 1 mark for each development of a point.
This question can be answered in a more general way but examples can be given from Stagecoach. Other examples can also be expected and all should be rewarded.

- self confidence and self reliance – founders could get support from each other
- clear view of way forward - founders had a vision of how bus companies should be run and of an integrated transport system
- ability to deal with uncertainty - risk is a key feature of business and Stagecoach had to be prepared to tackle new ventures in order to succeed
- technical skills - eg founders had to know about the operation of buses
- communication skills - these apply in dealing with staff (eg drivers), with outsiders (eg local authorities to create transport partnerships; with financial institutions to convince them of the likely success of ventures)
- administrative and organisational skills - these involve setting up procedures which will ensure that the business pays bills, obtains payment, co-ordinates its activities. For Stagecoach this meant getting a management structure which would permit expansion etc
- selecting suitable colleagues eg choice of Chief Executive
- examples from other sources eg from work in Business Investigation (AH)

[END OF MARKING INSTRUCTIONS]