



**2010 Business Management**

**Advanced Higher**

**Finalised Marking Instructions**

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## 2010 Business Management – Advanced Higher

**NB** These marking instructions provide guidance on how to make judgements on candidate scripts. They explain how marks might be awarded and indicate relevant points which candidates might make and for which they can be given credit. They are not exhaustive or comprehensive.

Throughout the paper marks are given for each relevant point, including description, elaboration, diagrams, or explained examples. No marks are given at this level for mere identification of points.

### SECTION ONE

1. *Assess the impact of changes in the soft drinks market on Barrs.*

To gain full marks candidates should explain a minimum of 3 main points.

Answers should refer to specific examples from A G Barr plc and show a link between factors in the soft drinks market and what has happened to Barrs. Maximum of 4 marks for answers which refer to relevant Case Study examples but do not show how they have an impact on Barrs.

Possible examples include:

- Growth of the soft drinks market – Barrs has been able to benefit from this eg overall growth in sales in 2008; rise in revenue between 2004-2008.
- Decline of carbonated drinks – Barrs has responded by diversifying its product portfolio eg Tizer, Simply; moving into energy drinks such as Rockster and IRN-BRU 32 enables Barrs to keep targeting young consumers who are the target for the carbonated IRN-BRU.
- More health conscious consumers – this is linked to the decline in carbonated drinks, so Barrs diversification and product relaunches are a response to this also.
- Changing lifestyles – this factor has led to Barrs entering markets such as sports drinks (Taut) and functional waters (Vitsmart).
- Expansion into Russia – this has enabled Barrs to develop its export market (sales rose by 20% during 2007-2008); however not all export moves have been as successful eg Poland.
- Changes in the weather – sales can be greatly affected by good or bad weather and this can affect Barrs revenue and profits.
- Increased competition – Barrs has to be efficient in order to compete with larger rivals and its new facility at Cumbernauld may be a result of the fact that it has to do this.

(8 marks)

2. *Using force field analysis, explain Barrs decision to construct a new facility in Cumbernauld.*

Max 4 marks for a diagram showing drivers, resistors, arrows of varying lengths pointing towards each other, and assets for change. Deduct 1 mark for each one that is omitted. If there is no diagram award one mark for a list of drivers, one for a list of resistors, and one for a list of assets for change.

Candidates should explain at least 3 points to gain full marks. One of these points can include an explanation of why, in Barrs view, the drivers exceeded the resistors.

*Drivers*

- Use of new technology eg latest canning technology; automated storage and retrieval systems
- Greater efficiency eg conveyor system; new software will meet customer needs more quickly; better capacity utilisation
- Anticipated cost savings of £2.5m
- Integration of all facilities in Scotland including Head Office on one site

*Resistors*

- Closure of 6 sites in Scotland
- Closure of factory in Manchester – need to consult with trade unions
- Delay in construction
- Need to obtain funds for new facility

*Assets for Change*

- Barrs good employee relations
- Opportunity to sell site in Manchester
- Ability to ensure changes such as move of Head Office took place smoothly

Overall, drivers appear to outweigh resistors; Barrs strategy depends on being efficient so changes like this may be vital if the strategy is to be successful.

(10 marks)

3. *Discuss ways in which Barrs employee relations policies may have helped it to develop a committed workforce.*

Max 2 marks per point. To be awarded a mark, candidates should explain how each policy would increase commitment/motivation. Up to 2 marks may be awarded for appropriate reference to motivational theories such as those from Maslow or Herzberg (but do not credit repeat points made under different headings).

- Personal Development Plan – this should help employees to feel involved as the company is enabling them to learn and develop; they may learn new skills which will equip them for future promotion. This may be consistent with Maslow’s self esteem and self-actualisation needs, as well as Herzberg’s motivators which include improvement and promotion.
- Recognition of long service – this can help employees feel valued and part of a large team as well as making them more loyal and less likely to leave. It can help Barrs when changes are being made as employees may be well-disposed towards the company. This may link to Maslow’s social and safety needs as well as Herzberg’s hygiene factors (so it may be less strong than PDPs). It also suggests that Barrs approach is consistent with McGregor’s Theory Y.
- Recognition of participation in health awareness schemes – this may also make employees feel valued but also recognises contributions they have made; this may encourage them to participate in similar schemes in the future. Again this may fit with Maslow’s self-esteem needs.
- Participation in the Prince’s Trust – this may offer employees challenges which make them feel part of team, committed to finding solutions to problems, get a sense of achievement, all of which are linked to Herzberg’s motivators. Credit candidates who mention the motivational effect of working for a socially responsible company eg providing Strathmore water for Prince’s Trust events.

(6 marks)

4. *Using evidence from the Case Study, explain how Barrs might measure its success.*

To gain full marks candidates should explain a minimum of 2 points. Award a maximum of 3 marks for general points about measures of success which are not related to Barrs experience. Exhibit 4 is a good source of information for candidates.

Possible measures of success include:

- Revenue – this measures the income (turnover) that Barrs gets from selling its products. This increased during 2004 – 2008. It shows that in value terms Barrs is selling more.
- Profits – this covers revenue and costs – profits in 2008 were higher than in 2004 but the trend upwards was not consistent (eg profits in 2007 were lower than in 2006).
- Sales figures – these show the amount that has been sold. They can be used to indicate the success of Barrs as a whole eg growth of 2.7% in 2008 and success of particular products (eg 5m cans of Rockster in first 6 months after launch) and in particular areas (eg 20% increase in IRN-BRU sales in Russia in 2007 – 2008).
- Market share eg compared to other products such as Coca Cola – this shows how well Barrs is doing in particular markets and the importance of products like IRN-BRU to Barrs; IRN-BRU accounts for 5% of carbonated drinks market in the UK, which shows Barrs comparative success in a wider market.
- Comparisons with other brands – IRN-BRU is the top grocery brand in Scotland which shows that Barrs has been successful in developing this brand in Scotland.
- Renewal of partnership agreements

(6 marks)

5. (a) *Analyse the costs and benefits to Barrs of taking over other companies, such as Taut International and Rubicon.*

To gain full marks candidates should explain a minimum of 3 points. Award a maximum of 4 marks for general points about the benefits of take-over with no reference to the Case Study. Responses should focus on costs and benefits of take-overs to Barrs. A maximum of 6 marks should be given to answers which consider only costs or only benefits.

Benefits could include:

- Barrs gains immediate entry into a new market and relevant expertise – eg Rubicon produces drinks appealing to a particular group which Barrs product portfolio did not cover and had exploited this niche successfully.
- Barrs does not have to spend time and money establishing a presence in a new market eg Taut is well-known in the sports drink market.
- Barrs can take advantage of new trends in the soft drinks market eg Strathmore and Findlays have products which appeal to health-conscious consumers and which also fit with fashion trends in soft drinks.
- Barrs can diversify its portfolio into different niche areas – in this way it can spread risks and reduce its reliance on IRN-BRU.
- Take-overs fit in with Barrs strategy of sticking to the soft drinks market.
- Barrs obtains new production and distribution facilities eg Mandora St Clements.

Costs could include:

- Amount paid for take-over – eg Rubicon cost £61m and Barrs paid £15m for Strathmore (this may be less of a disadvantage if Barrs can readily access the funds).
- Problems of turning round a loss making company eg Barrs paid £1 for Taut but it had operating losses of £1.3m.
- Difficulties of integrating new companies into Barrs structure.

(8 marks)

**(b)** *Explain how its use of partnership agreements might cause difficulties for Barrs.*

To gain full marks candidates should explain a minimum of 2 points. Max 2 marks for answers which refer to possible difficulties but which do not relate them to A G Barr plc.

- Partnerships are for a particular period of time – eg 5 years with PBG in 2002 – so they may not provide long term growth.
- There is no guarantee that partnerships will be renewed at the end of the agreement period – although the agreement with PBG was renewed for 6 years in 2007.
- Barrs may not have full control and may have to depend on the brand owner.
- Partnerships may conflict with Barrs own products eg Rockster and IRN-BRU 32 are both energy drinks.
- The partnerships require co-operation between Barrs and its partner and the situation may change eg the deal with Lipton's Ice Tea was changed in 2006.
- Credit candidates who say that Barrs may be unable to find a suitable partner eg in Poland it could not build on a successful trial of IRN-BRU.

(4 marks)

6. *Using examples, explore ways in which Barrs targets its products.*

To gain full marks candidates should explain a minimum of 2 points. Award a maximum of 2 marks for general points about targeting/market segmentation. Answers should refer to specific material from the Case Study eg in Exhibit 1. However, in order to gain a mark from an example, candidates must show how the example illustrates targeting.

Answers should refer to the categories which Barrs uses to segment its market and to target its products.

- Age – different products are targeted at different age groups eg IRN-BRU at young people as is IRN-BRU 32 and Rockster, Tizer at younger family members; Barrs Originals and Orangina at adults.
- Gender – eg Diet IRN-BRU is aimed at 25-35 year old females and 30-40 year old males.
- Geographical location – IRN-BRU is traditionally strong in Scotland but Barrs also has drinks which suit tastes in other geographical areas eg D’N’B in North of England, KA in London, Rubicon in S-E England.
- Situation – Simply is aimed at schools while Findlay’s is targeted at the water cooler market.
- Lifestyle – eg Taut is a sports drink brand targeted at those who are health conscious; Vitsmart and Strathmore Water are also aimed at health conscious consumers.

Barrs may use targeting to help it:

- take advantage of the different tastes of buyers in different age groups (tastes vary substantially with age in the soft drinks market)
- tailor its advertising to the target group eg ‘Derek the Cuckoo’
- gain a competitive advantage over other companies by meeting the needs of a specific group eg school pupils, Asian consumers (as a smaller company Barrs may be well placed to identify and meet particular groups such as these)
- replicate its success with IRN-BRU in Scotland by providing drinks suitable to tastes in other parts of the UK (this may help to reduce its dependence on IRN-BRU)
- take advantage of changes in the soft drinks market eg greater health awareness
- identify take-over targets eg which fit into niches which it has not yet targeted.

(8 marks)

## SECTION TWO

7. (a) *Assess the relevance of Scientific Management to organisations today.*

Up to 7 marks can be awarded for explanation of relevant theory eg Taylor, Gilbreth. Candidates must make mention of the way organisations are managed today. Award one mark for each suitable point, with one mark for each development.

Taylor – workers should receive a fair day’s pay for a fair day’s work; introduced a piece rate system; introduced specialisation and division of labour – this makes work dull and repetitive; he examined the job and the way it was done not the workers; the scientific selection, training and development of workers. Gilbreth – looked at motion studies which aimed to help organisations increase profits and keep workers happy; reorganised the way a job was done to find the most efficient way; aimed to eliminate unneeded steps in any process or remove unneeded movements; initially looked at bricklaying – moved bricks closer to worker, reduced amount of bending and lifting needed to lay bricks; introduced photography to look at the way work was done – would show the workers the film of the best way or best worker.

Drawbacks – assumed workers were only interested in financial rewards; treated people like machines; insisted on complete obedience to authority – managers should manage and workers should work – discouraging initiative and so losing out on valuable ideas from employees.

Relevance today – helpful in bureaucratic organisations; lends itself to particular types of organisations today eg production lines, manufacturing; appropriate for low skilled jobs or where tasks can be easily divided up; used in bureaucratic organisations for decision making but not appropriate in matrix style organisations where teams are used; used in fast food outlets; Gilbreth’s techniques are still used today eg in bricklaying, layout of operating theatres.

(12 marks)

- (b) *Many organisations are beginning to realise the benefits of green initiatives. Explain how far environmental responsibility can help an organisation gain competitive advantage.*

Candidates should make links between environmental responsibility and competitive advantage. Max 7 marks for general benefits to firms of being environmentally responsible. Max 11 marks for answers dealing only with positive factors.

A maximum of 4 marks can be awarded for each separate point. Points must make the link with competitive advantage. Examples should be credited. One mark each may be given for definitions of environmental responsibility and competitive advantage.

#### Factors increasing competitive advantage

- It can help to reduce costs, which can then be passed to consumer: using redesigned packaging can cut packaging and therefore minimise transportation costs.
- It can be used in marketing campaigns: Marks and Spencer's "Plan B – because there is no Plan A" leaflet, Marks and Spencer's posters in stores stating no GM foods used, less salt in ready made meals.
- Being seen to be environmentally responsible can develop customer loyalty – Sainsbury's is reducing the amount of waste packaging on its own brand Easter eggs.
- It can make consumers feel they are helping less developed countries' wellbeing – Fair Trade products.
- By initiating changes to become environmentally responsible firms are more ready to deal with changes in the law than competitors.
- New technologies (eg cutting emissions, cleaner engines) allow companies to access a growth market eg Hybrid car.
- Firms may be able to access a niche market or create a new one – eg Scottish Nappy Company provides home delivery of cotton nappies and collection of soiled ones.
- Organisations can list examples in their Annual Reports which could lead to good publicity.

#### BUT

- Some Fair Trade products are more expensive – consumers may prefer to buy cheaper non Fair Trade goods.
- Reducing use of plastic bags – eg Marks and Spencer's 5p tariff – may encourage people to shop elsewhere.
- Some changes may be costly as the firm may have to buy or upgrade machinery and might need to pass costs on to consumers through higher prices.
- Environmental mistakes affect profit, share price eg oil spill in environmentally sensitive area (fines, clean up costs, boycotts, reputation) eg in 2004 Chrysler recalled 2.7 million cars due to faulty gearboxes; Mattel recalled almost 850,000 toys worldwide in 2007 because they contained dangerous levels of lead paint.
- If not seen to be environmentally friendly firms may lose business to competitors – in 1991 Shell was boycotted by German car users when it proposed to dump an oil rig in the sea.
- No credit for increased spending on R&D unless specifically related to green initiatives.

(13 marks)

8. (a) *Discuss the benefits to both a multinational and a host country when the multinational establishes operations in that country.*

A maximum of 4 marks should be given for each separate point. Up to 8 marks may be given for discussion of each of the areas covered by the question ie benefits as a host country and benefits to the MNC. Credit candidates who question whether the benefits are valid.

Treat the same benefit given for the MNC and the host country as a repeat point unless crediting it in one section only takes the mark over the maximum.

- Up to 2 marks in total may be given for defining the terms “multinational” and/or “host country”.

#### *Benefits for MNCs*

- They are very large and powerful so can exert influence on governments to gain preferential tax concessions and subsidies and grants.
- Grants are often available to MNCs to attract them to a country, thus reducing costs.
- They can access a wider pool of labour and wider range of skills.
- Wage rates may be lower in host countries, providing a source of cheap labour for MNCs.
- They are close to resources, thus reducing transportation costs.
- They can gain access to the markets where they are located, particularly important where the market is huge as in China or India.
- They can access information about the local market eg multinational pharmaceutical companies testing products designed to treat diseases in the host country.
- They may be able to use transfer pricing, increasing profits.

#### *Benefits to host countries*

- MNCs bring increased employment to the host country; however these are often low-skilled jobs BUT jobs in the host country are often the first to go during hard times eg NCR in Dundee.
- MNCs may introduce new production and management techniques, although they may employ expatriate managers, which is less likely to lead to transfer of management skills.
- Jobs may be provided through the growth of ancillary businesses, such as banks or service organisations, to support the MNCs.
- The host country may gain an increase in national income/Balance of Payment benefits from investment by MNCs.
- Employment opportunities offered by MNCs may initiate a multiplier process as workers spend their wages on consumption.
- MNCs may provide training and education for employees, thus creating a higher skilled workforce.
- MNCs may pay for improved infrastructure eg oil pipeline in Chad.
- MNCs may provide healthcare for employees, which may relieve pressure on the country's health service.
- The host country may gain increase in tax revenue; however MNCs may use transfer pricing to lower their tax bill eg Glaxo paid \$3billion to end a tax row with US Government.
- Local industry may be regenerated eg UK car manufacturing was in decline until the advent of Nissan etc.

(14 marks)

- (b) *Organisations are set up to achieve purposes that individuals cannot achieve on their own. Discuss how autonomous teams can influence the success of an organisation.*

Award one mark for each suitable point, with one mark for each development. Up to 7 marks may be given for either positive or negative influences. Maximum 3 marks per point.

Award up to 2 marks for an explanation of autonomous teams ie teams which decide for themselves how and when to work; take responsibility for their use of resources; may have shared leadership.

*Positive influences*

- Because teams are set up with particular projects in mind they should be clear about what their aims are and what the task is; this means they are more likely to achieve organisational objectives.
- The leader role is often rotated depending on the area the team is working on; this helps to develop future leaders.
- Individuals can be supported by the team so feel able to make suggestions for improvement, accept change etc; lack of individual blame means teams will be willing to take risks; this can mean that people will continue to feel confident and willing to contribute if things go wrong.
- Team 'norms' place pressure on everyone to contribute, leading to more ideas.
- Good communication can foster trust amongst members leading to frank discussion.
- Teams are encouraged to solve their own problems meaning time is not wasted waiting for outside intervention.
- A range of skills – credit reference to Belbin's team roles and/or matrix structure – leads to more effective solutions. Max 2 for points about Belbin's roles not related to success of an organisation.
- Conflict is not avoided but brought into the open and dealt with constructively.
- Stages of group development. Max 2 for points not related to success of an organisation.

*Negative influences*

- Inter-group conflict can mean team never gets to the norming stage so is not effective.
- Competition between teams causes problems – eg trying to score points or get more resources.
- Individual teams may develop a subculture which is at odds with the corporate culture.
- Teams might take unacceptable risks.
- Teams may become set in their ways and closed to new ideas.

(11 marks)

9. (a) *Discuss ways in which government economic policy and legislation might influence an organisation to change.*

To gain full marks candidates should explain at least 3 points and cover both economic policy and legislation. Maximum 8 marks for answers covering only one of these topics. Maximum 4 marks for points not linked to change.

#### *Economic Policy*

Monetary policy – increases in interest rates put up cost of borrowing, negatively affecting cash flow and profits; firms may react by reducing gearing, trying to reduce dependency on borrowed funds eg by selling more shares, or retaining more profit to finance capital expenditure; reductions in interest rates make borrowing cheaper and may encourage firms to borrow to expand.

Fiscal policy – income tax increases reduce disposable income and hence demand; firms may devise ways to attract customers eg advertising campaign, sales promotion; increases in VAT and excise duties add to the price the consumer pays; firms may decide to bear part or all of the cost of increases themselves, reducing their profit margins; increases in corporation tax reduce firms' net profit after tax and could cause them to put expansion plans on hold; a fall in any of these taxes would have a beneficial effect, reduced income tax allowing consumers to spend more, reduced VAT stimulating demand by making prices lower and reduced corporation tax allowing the firm to keep a bigger share of its profit to finance its future plans.

Credit discussion of exchange rate policy, enterprise allowance scheme etc.

#### *Legislation*

Consumer protection legislation sets standards of hygiene and safety; compliance may increase firms' costs; if pressure on firms to improve standards leads to a better quality product this could increase a firm's sales in the long run.

Employment legislation reduces firm's flexibility eg the working time directive preventing firms' requiring their employees to work more than 48 hours a week; law restricts a firm's ability to fire employees eg verbal and written warnings must be given, redundancy used only if a job ceases to exist and compensation must be given; recent extension of maternity leave to one year means firms have to keep jobs open and find temporary replacements.

Equal rights legislation – firms have to train employees to comply with legislation on sex, race, disability and age discrimination.

Health and Safety legislation – cost of training; inspection; alterations to premises eg installation of ramps.

Maximum 3 marks per item of legislation.

(13 marks)

- (b) *Using the ideas of at least 2 writers on management that you have studied, explain the role of managers in achieving organisational objectives.*

Max 7 marks per writer. If name of writer is wrong or not specified no penalty if the ideas are correctly described. Max 6 for describing ideas without linking to achieving objectives.

#### Fayol's Five Functions of Management

Planning devises strategy focussed on objectives; organising gathers resources needed to achieve objectives, commanding lets all involved know their part in reaching objectives, co-ordinating ensures harmony between different elements of the strategy eg resources coming to the right place at the right time to be used to achieve objectives; controlling is used to monitor progress towards objectives and indicates where corrective action is needed to get the strategy back on track.

Credit explanation of Fayol's 14 principles of management.

#### Mintzberg's Management Roles

Interpersonal: Figurehead – promoting a good image of the organisation will increase potential custom and make it easier to achieve objectives such as an increase in sales; Leader – effective leadership makes staff more motivated to reach objectives; Liaison – forming good relationships with external stakeholders makes them more likely to support the firm's objectives.

Informational: Disseminator – info about objectives focuses employees on what they are working towards; Spokesperson – speaking to outsiders will help to enlist their support in reaching objectives; Monitor – checking progress helps to identify any deviations from objectives.

Decision Making: Resource allocator – objectives cannot be met if the right resources are not made available; Disturbance handler – problems and disputes need to be handled quickly to avoid wasting time that could be spent on achieving objectives; Entrepreneur – needs to take advantage of every opportunity to meet objectives; Negotiator – ability to deal with eg trade unions is vital to ensure continued production needed to achieve profit objectives.

Drucker – manager's role is to set objectives (MBO); organise; motivate and communicate; measure; develop people. (Expect explanation along similar lines to Fayol but do not credit repetition.)

Stewart – manager's role is to juggle demands (requirements of the job), constraints (restrictions on what the manager can do) and choices (decisions); the more the constraints the fewer the choices; limited choice constrains a manager's ability to achieve objectives; quality of choices made affects success in achieving objectives.

(12 marks)

10. (a) *Discuss what is meant by leadership style and explain the advantages and disadvantages of different styles of leadership.*

Maximum 6 marks in total for descriptions of what is meant by leadership style or the different styles that may be adopted; all other marks for explanation of advantages/disadvantages.

Style theory looks at leaders in terms of the different ways in which they behave; managers are responsible for achieving the objectives they have been set and for developing effective relationships with the people under their control; managers vary in the extent to which they emphasise one or other of these aspects. Employees will react differently according to the style of leadership used. Leadership style is a spectrum ranging from autocratic (manager's authority paramount) to laissez-faire (subordinates' freedom paramount).

Autocratic managers stress achievement of objectives; are task oriented; allocate tasks to specific individuals and supervise them closely; do not invite input from subordinates; persuasive and paternalistic styles are other examples of autocratic styles.

Democratic managers stress the relationships aspect of their role; are relationship oriented; allow subordinates more freedom to achieve objectives in their own way; encourage upwards as well as downwards communication and employee participation in decision making; other names for democratic styles include consultative and participative; extreme version is laissez faire where employees are permitted to do exactly as they want with no boundaries.

Autocratic advantages: tasks clearly defined; quick decision making; few opportunities for staff to make mistakes unnoticed by management; suitable for boring, repetitive jobs with no intrinsic motivation; works well in an urgent situation where immediate action is needed and there is no time for discussion; ensures that decisions are taken by those most experienced – ie managers.

Autocratic disadvantages: subordinates' creativity is not used; supervision is expensive in terms of management time; lack of freedom to make decisions is demotivating for subordinates; subordinates are not given the opportunity to prepare for promotion.

Democratic advantages: uses employees' imagination and knowledge so results in more ideas; motivates employees by involving them in decisions; prepares subordinates for promotion by giving them more responsibility.

Democratic disadvantages: involving more people will make the decision-making process more time-consuming; some employees gain a feeling of security from being supervised closely; some employees may believe it is the manager's job to make decisions and resent being expected to come up with ideas; objectives may be forgotten if people's needs become the manager's primary focus.

Credit discussion of other styles eg paternalistic, laissez faire.

(13 marks)

- (b) *Explain the importance of any 2 of the following for UK businesses.*
- *The Social Chapter of the European Union*
  - *Quality Assurance*
  - *Time Management*
  - *Budgetary Control*

One mark may be awarded for a suitable definition of each term. Max 7 marks per section. Max 3 per section for points not specifically related to importance.

*The Social Chapter of the European Union*

- **Provisions**  
This part of the Maastricht treaty aimed to develop common social and employment policies on issues such as free movement of workers between member states, fair remuneration (minimum wage), improvement in living and working conditions; employee representation – rights of workers to be informed, consulted and to participate (works councils), freedom of association and collective bargaining, training opportunities, equal treatment of both genders, protection of health and safety in the workplace; protection of adolescents, elderly and disabled.
- **Directives**  
The EU issues Directives based on the Social Chapter which are binding on all signatories eg European Works Council Directive – firms must set up Works Councils consisting of worker representatives to inform and consult the workforce about decisions, Directive on Family Leave – every worker has the right to take 3 months parental leave for each child under 5 he or she is responsible for, Directive for Workers on Fixed Term Contracts – gives temporary workers the same rights as full time ones, Part-time Work Directive – gives part-time workers the same rights as full time ones.
- **Importance for firms**  
Having to consult works councils about future plans such as redundancies may lengthen the decision-making process and mean plans have to be changed to accommodate workers' views; costs will increase because temporary workers must be found to cover parental leave; greater employment rights for part-time workers has increased the cost of employing them; greater emphasis on employee protection legislation increases costs of training and compliance with directives; working time directive means workers cannot work for more than 48 hours a week – means firms have to take on more staff; all workers now have a right to 4 weeks paid holiday a year, increasing costs; protection and extension of workers' right may improve motivation and productivity; increased worker participation through works councils could enhance commitment and lead to better quality decisions, reducing worker resistance.

### *Quality Assurance*

- The firm sets standards for all elements of production and sets up systems to monitor and improve quality; emphasis is put on meeting customer needs as well as technical standards; the aim is to produce a quality product rather than have to correct a faulty one; workers are given responsibility to check their own output; quality is monitored constantly, often using computerised systems; firms may apply for certificates such as ISO 9000 that confirm that they are applying specified standards of quality for their industry in their business, or Six Sigma which recognises firms that have drastically reduced errors in production.
- Importance  
Minimising or getting rid of errors reduces the firm's costs; always getting a product of reliable quality increases customers' satisfaction and hence sales and loyalty; fewer customer complaints will free up time and resources to deal with other matters; having a recognised quality certificate will attract more customers; firms that have such certificates may insist that their suppliers do too.
- BUT  
Costs – eg of training to meet quality standards, constantly monitoring and updating production systems, and certification – may be high.

### *Time Management*

- Principles – eg setting do not disturb times, planning phone calls, dealing with difficult matters at the time of day when you are at your best, drop/delay/delegate etc – help managers to minimise time wasters, leading to more effective use of time.
- Importance  
Good time management helps managers to focus on their goals and reduce the amount of time spent on unimportant matters eg analysing the use of time by keeping a log would help to identify the proportion of time that was being spent on important goal-related matters (credit explanation of Pareto's 80/20 rule and increase it); once identified time wasters can be minimised, increasing efficiency; a schedule can then be created allocating time according to priorities; prioritising matters according to urgency and importance would help management of time in that urgent matters would be dealt with first, but quickly if they are not also important, and the majority of time allocated to important matters.

### *Budgetary Control*

- Budgetary control helps managers to perform the control function of management by monitoring the performance of a company by comparing actual with forecast figures. Budgets are usually financial but do not have to be eg cash, production, sales.
- Importance  
Actual performance can be compared with expected or target performance on an ongoing basis; calculating variances can help identify areas for improvement.

Budgetary control can be used to keep track of performance in all areas of managerial activity eg spending, progress of a project, levels of production. It can help identify where corrective action is needed eg by alerting the firm to unexpected rises in costs or lower sales than projected in the Sales Budget; ensure that managers are meeting the targets set for them; that new investment projects stay within the projected financial targets.

However, budgets must be related to meaningful targets as otherwise managers may concentrate on peripheral areas of activity in order to meet budgetary targets; they may inhibit initiative by constraining the ability of managers to make independent decisions eg a new opportunity might be ignored if a budget did not have sufficient money to pursue it; the budget setting process may become inflexible and not change from year to year so budgetary allocations reflect situations that are no longer current.

(12 marks)

[END OF MARKING INSTRUCTIONS]