



National  
Qualifications  
EXEMPLAR PAPER ONLY

**EP03/AH/01**

**Business Management**

Date — Not applicable

Duration — 2 hours 45 minutes

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**Total marks — 80**

**SECTION 1 — 40 marks**

Attempt ALL questions.

**SECTION 2 — 40 marks**

Attempt ALL questions.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

It is recommended that you spend 15 minutes reading over the information provided in **SECTION 1** before responding to the questions.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



\* EP03AH01 \*

## SECTION 1 — 40 marks

Read ALL the following information and attempt ALL the questions that follow.

### STV Group plc

#### *Background information*

STV Group plc is based in Glasgow. It is a Scottish media company which incorporates broadcasting and production of television programmes and internet services, which it sees as its core functions. The Group also sells advertising airtime on television and advertising space on the internet. STV Group plc holds licences for North Scotland and Central Scotland, allowing it to produce dedicated regional programming for over 3.5m viewers across Scotland each week. STV Productions, together with its sister company, Ginger Productions, has produced a wide range of programmes for a variety of networks, including top quality dramas like *Taggart* and *Rebus* for ITV1.

#### *Non-core businesses*

Recently the Group has sold the last of its non-core businesses, including Virgin radio. It also sold the cinema advertising company Pearl & Dean for £1 in 2010. Pearl & Dean is currently the second largest cinema advertising contractor in the UK, with an iconic brand in the film world, covering 1478 screens, and has a 36.6% share of the market by admissions. Due to its contract with Vue cinemas, Pearl & Dean had to pay a minimum rent regardless of the size of the audience. This meant Pearl & Dean had been making a loss. Because of the contract with Vue, in 2009 the Group increased its provision for future losses from £13.3 m to £14.3 m. STV Group plc wanted to reduce its exposure to this uncapped trading risk.

#### *STV's strategy*

##### *Internet*

A main part of STV's strategy is to become Scotland's local media company. STV is committed to delivering high quality public service content and it has continued to enhance this through the introduction of new platforms and the launch of STV Local. STV Local is a series of websites with information about local areas, eg different towns and cities in Scotland. The websites contain information including "what's on" and "news" specific to the local area.

In 2011, STV launched three new hyper-local websites in Edinburgh (websites which cover different areas within towns or cities), to add to a growing number across Scotland. The Edinburgh websites give STV 19 hyper-local sites and it plans to cover 75% of Scotland's population through hyper-local sites, ending up with 100 or more of them. Each website is run by a professional journalist working in partnership with representatives of the local community, whether from the local authority, emergency services or arts and sports groups.

Whilst other mainstream media reduce services to local marketplaces, STV has taken a contrary view, seeing a service and commercial opportunity with the development of STV Local. The Group want to ensure STV branded services are available anywhere and at any time in Scotland, while trying to tap new sources of advertising—in this case classified. The low cost structure will enable the venture to be profitable and it is estimated that breakeven might only be 18 months away.

## SECTION 1 (continued)

### *Television*

Other local plans involve launching a new Edinburgh edition of its 30 minute *STV News at Six* programme, to add to the current services from Glasgow and Aberdeen. All three will continue to carry national and international news, but STV has identified that the most popular part of its news show is when it serves the ultra-local. The STV strategy fits in with the Government's enthusiasm for creating more local television in the UK.

### **Growth**

STV is expanding organically in a number of ways, and also through relationships and partnerships with other organisations to deliver sustainable growth.

### *Broadcasting*

STV's content team continues to increase commissions from other broadcasters, including the BBC and ITV, to produce programmes providing clear evidence of its capability and creativity. In 2010, STV Productions produced 25 more hours of programming than in previous years, including *Antiques Road Trip* for BBC 2 and *Missing Mums* for Sky Real Lives. This has reduced dependence on ITV to 30% of total programme sales, compared with 80% in the past.

### *Advertising*

Another part of STV's stated ambition is to increase its share of display advertising in Scotland. The aim is to develop closer relationships with advertisers beyond the traditional 30-second spot, to get into everything from sponsorship and market research to product placement, which is now permitted on UK television.

### *Digital media*

STV is continuing to extend its reach, through the development of new methods to provide audiences with an increased choice of ways in which they can access STV's content. Chief Executive Rob Woodward has called STV "Scotland's digital media company". These platforms include a High Definition service and further enhancement of the Video on Demand service, through the highly commended STV Player.

Exhibit 1 gives information on STV's digital media platforms.

### ***Opting out of the ITV Network***

Recently STV has dropped some of the ITV network programmes it thought would not play well in Scotland or cost too much. There were complaints about dropping programmes like *The Bill* and showing STV's own produced or acquired content but, on the whole, viewers responded well. STV achieved an increase in audience share against ITV itself across the all-important peak period. However, 95% of programmes are from the ITV network, to which STV pays a considerable sum of money. STV is mindful that it is a Scottish based service, independent of ITV, and therefore has a clear responsibility to produce a balanced schedule relevant for audiences in Scotland.

## SECTION 1 (continued)

Instead of *Downton Abbey*, STV showed the new series of *Taggart* and matched ITV's 33% audience share. Other programmes shown—about 5% of the peak-time programmes—have ranged from local football to films and the Australian acquired series *Underbelly*. These programmes attracted younger, more upmarket audiences that, overall, were 0.24% higher than the ITV average. However in 2011 STV broadcast *Downton Abbey*. A core part of the Group's strategy is the right to opt out from ITV.

### ***Corporate Social Responsibility (CSR)***

STV believes that community relations are of paramount importance and it undertakes a variety of programmes to foster community links.

Exhibit 2 gives further details on STV's CSR initiatives.

Exhibit 3 gives information on STV's performance.

**NB** Unless stated otherwise, the above, and the accompanying exhibits, are current at 1 November 2011 and refer to the situation at that date.

SECTION 1 (continued)

**Exhibit 1**

**Digital media platforms**

<b>STV News app</b>	A free application for mobile phones, which provides users with instant access to news, sport and high quality video reports. It allows users across the globe to access STV branded news content. At the time of writing, it had been downloaded 100,000 times.
<b>www.stvjobs.com</b>	A website which provides access to thousands of Scottish jobs online.
<b>www.stvjobs.local</b>	People can log on to discover and share their local news, sport, weather, reviews, events, announcements, places, and community.
<b>www.stv.tv</b>	During 2010, STV's primary digital channel, www.stv.tv, secured the position of Scotland's most popular commercial website, attracting over 2.2m unique users every month.
<b>www.youtube.com/stvplayer</b>	A dedicated YouTube channel for STV, showing archive programmes, news, and a daily one-hour entertainment, magazine-style show called <i>The Hour</i> . Currently over 2m users per month.
<b>www.stv.tv/player</b>	STV's TV-on-demand service, which allows viewers to catch up on their favourite STV programmes and watch highlights from the vast STV archives. The system was developed entirely in-house and on a modest budget. This is also available on PlayStation 3.
<b>Daily Deals</b>	Daily e-mail alerts give consumers the opportunity to register free to receive the very best deals available in Glasgow and Edinburgh. STV's Classified team is working closely with a host of local businesses including restaurants, beauty salons, adventure day organisers, and hotels to source the widest possible range of deals across Scotland's two biggest cities.
<b>STV Live casino</b>	Up-to-the-minute technology allows online players to view all the casino action live on their computers, with the wheel being spun and cards dealt in real time. Players can choose to take part in a range of live games, including Roulette, Blackjack and Baccarat.

SECTION 1 (continued)

**Exhibit 2**

**Corporate Social Responsibility (CSR)**

<b>STV studio tours</b>	Tours of Aberdeen and Glasgow studios for community groups, school pupils, and media students.
<b>Work placements</b>	Students across Scotland carry out work experience placements on the <i>Taggart</i> set. Each student can spend one week working with various departments and their second week in an area of their choice, eg wardrobe, make-up, post-production, direction or script editing.
<b>STV Appeal</b>	Celebrities and ordinary people undertake various activities to raise funds to tackle poverty. One in four children lives in poverty in Scotland.
<b>Common Purpose</b>	STV is working in partnership with <i>Common Purpose</i> , which has produced a long-running, regular educational course, “Your Turn”. This aims to encourage leadership, raise aspirations, and increase confidence among young people.
<b>Prince’s Trust’s “Get Started in Presenting” programme</b>	This is designed to help young people improve communication skills. As part of this partnership, STV organises six visits to its premises across the year. This offers participants an insight into the work behind the scenes, as well as a chance to meet STV newsreaders and learn more about the day-to-day running of a television company.
<b>Green Office Week</b>	STV participates in this. During this event, it encourages staff to recycle and conserve energy, wherever possible.
<b>Green Travel Plan</b>	Based at STV’s Glasgow headquarters, this aims to encourage staff to use more sustainable means of transport to commute to work. To promote cycling, STV provides shower facilities, cycle parking, and lockers for employee use.

## SECTION 1 (continued)

### Exhibit 3

This contains some information on the overall performance of STV Group plc.

#### *Some financial data:*

	2010	2009	2008	2007
Revenue (£m)	104.8	90.3	111.2	120.3
Operating profit (£m)	14.4	9.2	13.2	11.1
Net operating expenses (£m)	90.4	81.1	98.0	109.2

#### *Some data on the broadcasting side of the business*

- In 2010, STV Player was voted the best commercial catch-up site in the UK.
- The Group has achieved a year-on-year increase in traffic to its online news content.
- Over 55% of the Scottish population watch STV news at least once a week.
- In 2010, the TV series *Taggart* achieved a 33% audience share and outperformed the alternative drama which was showing on the ITV Network.

#### *Some data about the other operations of the Group*

- In 2010, debt was reduced to £52 m from £180 m in 2009.
- In 2010, revenue from digital operations was up 50% to £4.2 m from the previous year.

The following questions are based on ALL the information provided and on knowledge and understanding you have gained whilst studying the Course.

1. Explore the STV Group's reasons for pursuing a strategy of becoming more local. 8
2. Using examples from the information provided, explain the importance to the STV Group of developing digital media. 6
3. Analyse the STV Group's decision to opt out of the ITV Network. Your response must include a force field diagram. 8
4. Using examples from the information provided, discuss the importance of the STV Group's policy of corporate social responsibility. 6
5. Using evidence from the information provided, describe how the STV Group might measure its success. 6
6. Explain the advantages and disadvantages to the STV Group of selling off its non-core businesses. 6



## SECTION 2 — 40 marks

Attempt ALL questions

- |  |    |
|--|----|
| 7. Discuss the approaches that an organisation could use to encourage employees to embrace change.                                     | 10 |
| 8. Teams are an integral part of modern business practice.   |    |
| (a) Describe the stages of group development.  | 5  |
| (b) Explain the influence of these stages on the effectiveness of a team.  | 5  |
| 9. With reference to Mintzberg, evaluate how the different roles that managers play can impact on achieving organisational objectives. | 10 |
| 10. Discuss the effects of EU policies on UK businesses' profitability.  | 10 |

[END OF EXEMPLAR QUESTION PAPER]



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## Marking Instructions

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These Marking Instructions have been provided to show how SQA would mark this Exemplar Question Paper.

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## General Marking Principles for Advanced Higher Business Management

*This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the Detailed Marking Instructions, which identify the key features required in candidate responses.*

- (a) Marks for each candidate response must always be assigned in line with these General Marking Principles and the Detailed Marking Instructions for this assessment.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) For each candidate response, the following provides an overview of the marking principles. Refer to the Detailed Marking Instructions for further guidance on how these principles should be applied.

Marks will be awarded as follows for:

(i) Questions that ask candidates to **Describe ...**

Candidates must make relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.

Candidates may provide straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- 1 mark should be given for each relevant factual point
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

(ii) Questions that ask candidates to **Explain ...**

Candidates must make accurate relevant points that relate cause and effect and/or make the relationships clear. These points may relate to a concept, process or situation.

Candidates may provide straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- 1 mark should be given for each relevant point of explanation
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

(iii) Questions that ask candidates to **Compare ...**

Candidates must demonstrate knowledge and understanding of the similarities

and/or differences between things, methods or choices, for example. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of comparison

(iv) Questions that ask candidates to **Discuss ...**

Candidates must make points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of knowledge that is clearly relevant
- **1 mark** should be given for any further development of a relevant point, including exemplification or a conclusion when appropriate

(v) Questions that ask candidates to **Analyse...**

Candidates must demonstrate the ability to identify/describe/explain relevant parts, and the relationship between the parts and/or the whole. Candidates should be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of analysis
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate

(vi) Questions that ask candidates to **Evaluate...**

Candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of evaluation
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate

(vii) Questions that ask candidates to **Explore...**

Candidates must demonstrate the ability to carry out a detailed examination or enquiry, or follow a process in order to find out something.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate

## Detailed Marking Instructions for each question

### SECTION 1

Question	Possible response	Max mark	Additional guidance
1	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• The STV Group can target different geographical markets with its local websites. (1 mark) This can give it an additional income stream, as the local advertisers can geo-target customers. (1 development mark) It also allows the STV Group to spread its brand across Scotland in a new media. (1 development mark)</li> <li>• By providing high-quality, accurate information, specific to the local area via the websites, users know what is going on in their local area and may be more likely to use the Group's other services as well. (1 mark)</li> <li>• The STV Group stays ahead of the competition, as other media groups are reducing their services to the local market. (1 mark)</li> <li>• The STV Group can offer a different service to its users through its websites, rather than just television. (1 mark) The strategy also provides further commercial opportunities for STV, eg new sources of advertising. (1 development mark)</li> <li>• It will ensure that the Group's services will be available almost anywhere in Scotland, as it plans for these sites to cover 75% of Scotland. (1 mark) The low-cost structure of the websites will gain profits quickly, as break-even is estimated at only 18 months away. (1 development mark)</li> <li>• The STV Group has found that the most popular parts of its television news programmes were ultra-local, eg local news on <i>STV News at Six</i> and want to capitalise on this. (1 mark)</li> <li>• The strategy ties in with the Government's framework for more local television, which should help the STV Group to secure future licenses. (1 mark)</li> </ul> <p>Accept any other suitable response.</p>	8	<p>Candidates' responses should be based on the information provided.</p> <p><b>1 mark</b> for an accurate point <b>1 mark</b> for a development point</p> <p>A maximum of <b>4 marks</b> for general points, without relating to the STV Group information provided.</p>

Question	Possible response	Max mark	Additional guidance
2	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• The STV News app allows access to a different type of audience, eg users of mobile phones. (1 mark) The app has been downloaded 100,000 times already, showing the demand for “news on the go” is there. (1 development mark) It also allows users from across the globe to access STV branded content and not just those living in Scotland. (1 development mark)</li> <li>• <a href="http://www.stvjobs.com">www.stvjobs.com</a> provides a service other than television, raising STV’s profile and targeting a new market. (1 mark)</li> <li>• The STV Player allows people to view programmes when they demand, not just when scheduled. (1 mark) It is available on more than one platform, eg PlayStation 3, so increases the chances of its use. (1 development mark). It can increase advertising revenue for the STV Group, as using catch-up TV is becoming more and more popular. (1 development mark)</li> <li>• YouTube channel allows access to younger audiences, as they use YouTube on a regular basis. (1 mark) Viewers can watch on the go via mobile phones, increasing audience figures. (1 development mark)</li> <li>• <a href="http://www.stv.tv/local">www.stv.tv/local</a> ties in with the strategy of becoming more local, as it gives audiences specific news about their local areas. (1 mark)</li> <li>• The digital platforms enable STV to provide different services which are not to do with television. (1 mark) For example through Daily Deals, which gives people good deals if they sign up via e-mail. (1 development mark) STV therefore gains e-mail addresses of consumers, which can be used by them for other purposes. (1 development mark)</li> <li>• Overall, the digital platforms enable the STV Group to provide different services, that are not to do with television, to promote its brand. (1 mark)</li> </ul> <p>Accept any other suitable response</p>	6	<p>Candidates’ responses should be based on the information provided.</p> <p><b>1 mark</b> for a relevant explanation  <b>1 mark</b> for a development point</p> <p>A maximum of <b>3 marks</b> for general points, without relating to the STV Group information provided.</p>

Question	Possible response	Max mark	Additional guidance															
3	<div data-bbox="340 293 1330 852" style="border: 1px solid black; padding: 10px; margin-bottom: 10px;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;"><b>Drivers</b></td> <td style="width: 34%; text-align: center; border-bottom: 1px solid black;"><b>Equilibrium</b></td> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;"><b>Resistors</b></td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">Getting rid of unpopular programmes →</td> <td style="padding: 5px;">← Dependency on ITV for 95% of programmes</td> <td></td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">ITV programmes cost too much →</td> <td style="padding: 5px;">← Potential loss of revenue from advertisers</td> <td></td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">Chance to increase audience share →</td> <td style="padding: 5px;">← Uncertainty of audience reaction</td> <td></td> </tr> <tr> <td colspan="3" style="text-align: center; padding: 10px;"> <b>Assets for Change</b>            STV's established production companies            Loyal Scottish audience            Right to opt-out from ITV            Strong financial position         </td> </tr> </table> </div> <p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• The biggest driver was the costs of ITV Network programmes. (1 mark) Locally produced programmes do not need to pay royalties to the ITV Network. (1 development mark)</li> <li>• Some programmes STV thought would be unpopular with Scottish audiences could be dropped in favour of programmes that would appeal to Scottish audiences. (1 mark) A smaller driver is the chance for the STV Group to increase its audience share (1 mark) by showing more programmes to appeal to new segments, although this is not guaranteed. (1 development mark)</li> <li>• A resistor is the potential revenue loss from advertising, due to STV not showing established programmes such as <i>Downton Abbey</i>. (1 mark) Once lost, it is often difficult to regain trust from advertisers. (1 development mark)</li> </ul>	<b>Drivers</b>	<b>Equilibrium</b>	<b>Resistors</b>	Getting rid of unpopular programmes →	← Dependency on ITV for 95% of programmes		ITV programmes cost too much →	← Potential loss of revenue from advertisers		Chance to increase audience share →	← Uncertainty of audience reaction		<b>Assets for Change</b> STV's established production companies Loyal Scottish audience Right to opt-out from ITV Strong financial position			8	<p>Candidates' responses must be based on the information provided.</p> <p>Up to <b>4 marks</b> for an accurate, fully labelled, force field diagram as follows:</p> <ul style="list-style-type: none"> <li>• <b>1 mark</b> for listing at least two correct drivers</li> <li>• <b>1 mark</b> for listing at least two correct resistors</li> <li>• <b>1 mark</b> for showing arrows of varying lengths pointing towards each other</li> <li>• <b>1 mark</b> for listing at least one correct asset for change</li> </ul> <p><b>1 mark</b> for each point of analysis, which should indicate why the factor is a driver/resistor/asset for change.</p> <p>Up to a maximum of <b>5 marks</b> for analysis of any individual drivers, resistors and assets for change.</p> <p>A maximum of <b>1 mark</b> for an overall evaluation.</p> <p>A maximum of <b>6 marks</b> if there is no diagram.</p>
<b>Drivers</b>	<b>Equilibrium</b>	<b>Resistors</b>																
Getting rid of unpopular programmes →	← Dependency on ITV for 95% of programmes																	
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<b>Assets for Change</b> STV's established production companies Loyal Scottish audience Right to opt-out from ITV Strong financial position																		

Question	Possible response	Max mark	Additional guidance
	<ul style="list-style-type: none"> <li>• Since the STV Group will still be dependent on ITV for most of its programmes, opting out may damage the relationship between the two companies (1 mark), although this is less of a resistor than loss of advertising revenue. (1 development mark) However, it means that the STV Group would have to find completely new programmes to replace the ones ‘dropped’ which is a big risk for it in terms of audience share. (1 development mark)</li> <li>• Some viewers may be unhappy about established programmes being dropped and stop watching STV. (1 mark)</li> <li>• An asset for change is the fact that STV has established and experienced production companies, that are able to produce high-quality programmes that are sold to many networks, eg <i>Taggart</i> (1 mark)</li> <li>• Overall, the strength of the three drivers outweighs the strength of the three resistors. (1 evaluation mark) STV’s experience in producing and selling quality programmes makes it good business sense for STV to opt out of the ITV Network. (1 evaluation mark)</li> </ul> <p>Accept any other suitable response.</p>		



Question	Possible response	Max mark	Additional guidance
4	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• The STV Appeal lets the public see that the STV Group cares about Scottish children. (1 mark) It is a very public appeal and can be advertised on STV, so attracts a large audience. (1 development mark) It can increase STV's audience size, as large numbers of the population may tune in to watch their friends raising money for charity. (1 development point)</li> <li>• Studio tours show that the STV Group is giving something back to the local community, even though it is limited to two studios only. (1 mark) However, they might not accommodate a large number of people, as only so many people can go on the tour at a time. (1 development mark)</li> <li>• Work placements offer a rare chance to allow students to experience working for a television company. (1 mark) This could inspire future employees of the STV Group. (1 development mark)</li> <li>• Taking part in the Prince's Trust programme allows the STV Group a chance to give something back, by working with young people interested in a broadcasting career. (1 mark) STV can help develop the skills of these young people in local communities (1 development mark), but it could be argued that six visits per year is not a great amount. (1 development mark)</li> <li>• The Green Travel Plan shows that the STV Group not only cares for the environment, but also that it cares about employees, by providing facilities which will help them be able to cycle or walk to work. (1 mark) This is good for employees' health. (1 development mark)</li> <li>• Green Office Week encourages staff to recycle and conserve energy, which can generate good publicity for the STV Group (1 mark) and help reduce its costs. (1 development mark)</li> <li>• The STV Group's partnership with Common Purpose can help to raise its profile with the younger generation (1 mark); it will be seeking to interest this generation in its services in the future. (1 development mark)</li> </ul> <p>Accept any other suitable response.</p>	6	<p>Candidates' responses should be based on the information provided.</p> <p><b>1 mark</b> for a valid discussion point  <b>1 mark</b> for a development point</p> <p>A maximum of <b>3 marks</b> for general points, without relating to the STV Group information provided.</p>

Question	Possible response	Max mark	Additional guidance
5	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• Digital operations revenue increased by 50% to £4.2m in 2010 (1 mark), which shows how promising digital media revenue could be for the future. (1 development mark)</li> <li>• Operating profit increased from £11.1m in 2007 to £14.4m in 2010 (1 mark), despite overall falling revenues. (1 development mark)</li> <li>• Operating expenses were steadily going down, but increased in 2010 to £90.4m, which could be due to the creation of new websites and STV Player.(1 mark)</li> <li>• STV Player achieved accolades for the best commercial catch-up site in the UK (1 mark), suggesting the Group has a product that users like. (1 development mark)</li> <li>• Viewers of the Group’s online media are increasing in number and it now has 2m monthly YouTube users. (1 mark)</li> <li>• Over half the population watches STV News at least once a week, which is a high number considering there are alternative channels to watch the news. (1 mark)</li> <li>• In 2010, STV’s showing of <i>Taggart</i> outperformed the ITV equivalent, proving that consumers preferred “local home-grown” drama. (1 mark)</li> <li>• Debt was reduced substantially from £180m in 2009 to £52m in 2010 (1 mark), which could be due to the Group selling off the loss-making company Pearl &amp; Dean. (1 development mark)</li> </ul> <p>Accept any other suitable response.</p>	6	<p>Candidates’ responses should be based on the information provided.</p> <p><b>1 mark</b> for a relevant factual description  <b>1 mark</b> for a development point</p> <p>A maximum of <b>3 marks</b> for general points about measures of success, without relating to the STV Group information provided.</p>

Question	Possible response	Max mark	Additional guidance
6	<p>Responses could include the following:</p> <p><i>Advantages</i></p> <ul style="list-style-type: none"> <li>• Pearl &amp; Dean was making a loss, so this allowed the STV Group to reduce its debt. (1 mark)</li> <li>• The STV Group had a provision for future losses of £14.3m and this could be reduced by selling Pearl &amp; Dean. (1 mark)</li> <li>• Radio and cinema are not core functions of the Group, as its strategy is to concentrate on television, broadcasting and digital media. (1 mark) Selling off these areas, allows the STV Group to improve its core functions. (1 development mark)</li> <li>• Pearl &amp; Dean cinema advertising is UK wide and so does not fit in with the strategy of becoming more local. (1 mark)</li> <li>• The uncapped trading risk meant the STV Group would have had no upper limit to the amount Pearl &amp; Dean would have to pay Vue. (1 mark) The sale removed this risk and the uncertainty. (1 development mark)</li> </ul> <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> <li>• The STV Group made no profit on the sale of Pearl &amp; Dean, as it only sold it for £1. (1 mark)</li> <li>• Pearl &amp; Dean is iconic in the world of film and the STV Group could have used this connection to further its own brand name. (1 mark)</li> <li>• Pearl &amp; Dean's presence in 1478 cinemas means the STV Group is missing out on potential advertising across the UK, not just in Scotland. (1 mark)</li> </ul> <p>Accept any other suitable response.</p>	6	<p>Candidates' responses should be based on the information provided.</p> <p><b>1 mark</b> for a relevant explanation  <b>1 mark</b> for a development point</p> <p>A maximum of <b>3 marks</b> for general points, without relating to the STV Group information provided.</p> <p>A maximum <b>5 marks</b> if only advantages or only disadvantages are given.</p>

SECTION 2

Question	Possible response	Max mark	Additional guidance
7	<p>Responses could include the following:</p> <p><i>Specific approaches</i></p> <ul style="list-style-type: none"> <li>• Negotiated approach – employees will feel involved with the decision regarding the change and therefore will be more likely to embrace it. (1 mark) This allows two-way communication, as employees might have some good ideas. (1 development mark) However, effective as it may be, this is a lengthy process, as it takes time to consult with employees on the change process. (1 development mark)</li> <li>• Piecemeal incentives approach – small incremental changes made over time, which can help build confidence if employees are against change or are nervous about it. (1 mark) Employees may be more likely to embrace change in this way, as any changes made are not too dramatic. (1 development mark)</li> <li>• Action-centred approach – by trying out different solutions and then agreeing the best one, as all will be aware of the result of the change. (1 mark) However, this solution may work well with one group of employees or business area, but might not necessarily work for all employees or in all business areas. (1 development mark)</li> <li>• Participative approach – rewards are given to employees on the basis of participation and achieving goals, which can be motivating for them to embrace change.(1 mark)</li> <li>• Use of change agents who are experts in their field and act as intermediaries to co-ordinate aspects of the change. (1 mark) External change agents can be very expensive to use, so this approach is only suitable for cash-rich organisations. (1 development mark) Nonetheless, external change agents will be able to offer better solutions based on their experience. (1 development mark) However, internal change agents tend to be more familiar with the organisation, so are more likely to hasten the change. (1 development mark) This is because of their familiarity they can communicate with employees more effectively. (1 development mark)</li> </ul>	10	<p>1 mark for a valid discussion point 1 mark for a development point</p> <p>Marks can be given for specific approaches to managing change or for more general approaches.</p> <p>At least <b>two</b> approaches must be discussed to gain full marks.</p> <p>Up to maximum of <b>5 marks</b> for approaches that do not link to employees embracing change.</p>

Question	Possible response	Max mark	Additional guidance
	<p><i>General approaches</i></p> <ul style="list-style-type: none"> <li>• Businesses could develop an adaptive culture, which will help employees cope with things that are new. (1 mark) This could include having a strong mission/vision which employees can relate to. (1 development mark)</li> <li>• Continuous improvements through employee involvement in improvement or suggestion schemes, as employees become used to change and accept it as the norm. (1 mark)</li> <li>• Becoming a “learning organisation”, taking opportunities for learning from past experience or tackling new problems, so that change can be seen as something which is normal. (1 mark)</li> <li>• Develop systems of regular communication between management and staff, to keep employees informed, so that change does not come as a surprise. (1 mark) This allows employees the opportunity to suggest changes. (1 development mark) If any change is significant, then it may need to be supplemented with other methods designed to tackle specific issues raised by the change, eg training staff in new technology. (1 development mark)</li> <li>• Offering education and training to those affected by the change, so that they are fully prepared to cope with the new situation. (1 mark) This will allay fears and help employees to recognise the benefits of change, and cope with something new. (1 development mark)</li> <li>• Empowerment of workers, by giving employees responsibility for solving problems for themselves (1 mark), as this creates an environment which is responsive to change. (1 development mark) It provides employees with experience for tackling something new. (1 development mark)</li> <li>• Offering financial or other rewards may ensure employees accept change more readily, because they think they will benefit from it. (1 mark) Fringe benefits can encourage employees to be adaptable and to make personal changes. (1 development mark) However, these rewards may not be successful on their own as they do not tackle fears of not coping with new things. (1 development mark)</li> </ul> <p>Accept any other suitable response.</p>		

Question		Possible response	Max mark	Additional guidance
8	a	<p>Responses could include the following:</p> <p><i>Forming</i></p> <ul style="list-style-type: none"> <li>At this early stage, the project team members are just getting to know each other. (1 mark) They are likely to be a little anxious, on their “best behaviour” and willing to co-operate, as they want to make a good impression. (1 mark)</li> </ul> <p><i>Storming</i></p> <ul style="list-style-type: none"> <li>At this stage, conflict and competition between team members occur. (1 mark). There may be heated arguments about what to do, how to do it and who should do it. (1 development mark)</li> </ul> <p><i>Norming</i></p> <ul style="list-style-type: none"> <li>By this stage, team members have begun to develop ways to work together. (1 mark) Team “norms” begin to be established as team roles and responsibilities for the task are re-clarified. (1 mark)</li> </ul> <p><i>Performing</i></p> <ul style="list-style-type: none"> <li>The team now has a clear way of working, which suits all members who now trust and support each other (1 mark) and can make significant progress towards team goals, as commitment is high. (1 development mark)</li> </ul> <p><i>Mourning/adjourning</i></p> <ul style="list-style-type: none"> <li>This stage covers the situation where the team changes, eg is disbanded or a member leaves. (1 mark) Team members should acknowledge that they have changed and that the cycle will begin again, as a new team begins the forming stage. (1 mark)</li> </ul> <p>Accept any other suitable response.</p>	5	<p>1 mark for a relevant factual description 1 mark for a development point</p> <p>At least <b>two</b> stages must be described to gain full marks.</p> <p>A maximum of <b>3</b> marks for each stage described.</p>

Question		Possible response	Max mark	Additional guidance
8	b	<p><i>Forming</i></p> <ul style="list-style-type: none"> <li>The team may appear to be bonding well but the number of task goals met at this stage is usually relatively low. (1 mark) This is because team members are still getting to know each other's strengths and weaknesses, and where they fit in, so may not be performing as effectively as they could. (1 development mark).</li> </ul> <p><i>Storming</i></p> <ul style="list-style-type: none"> <li>Effectiveness can be lower than at the forming stage, due to disagreements taking place. (1 mark)</li> <li>Storming can reduce short-term effectiveness of the team, as issues are worked out (1 mark), but it may lead to improved effectiveness in the long run, if it results in strong norms, and clear patterns of behaviour and communication. (1 development mark)</li> </ul> <p><i>Norming</i></p> <ul style="list-style-type: none"> <li>The more explicit these norms are, the clearer team members are likely to be about their roles, and the more effective the group is likely to be. (1 mark) This is because the focus of the team is now on the task and not on individuals. (1 development mark)</li> </ul> <p><i>Performing</i></p> <ul style="list-style-type: none"> <li>The team makes significant progress towards team goals, as commitment is high. (1 mark)</li> <li>The team operates very effectively at this stage, as members have established procedures for monitoring and controlling its progress. (1 mark)</li> <li>It is possible for teams to perform without having fully worked through the storming and norming stages, so performing does not necessarily mean that teams are as effective as they should be. (1 mark)</li> </ul> <p>Accept any other suitable response.</p>	5	<p>1 mark for a relevant explanation 1 mark for a development point</p> <p>At least <b>two</b> stages must be explained to gain full marks.</p> <p>A maximum of <b>3</b> marks for each stage explained.</p>

Question	Possible response	Max mark	Additional guidance
9	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• Figurehead role is to represent the organisation to the outside world. (1 mark) This can assist the organisation in gaining co-operation from others in pursuit of its objectives. (1 development mark)</li> <li>• Leading role is to give direction to employees that will inspire and motivate them. (1 mark) Motivated workers will be productive to please their leader, so are more likely to be effective in meeting organisational objectives. (1 development mark) However, the leader needs to keep employees on the right track, so they can continue to achieve the aims of the organisation. (1 development mark)</li> <li>• Liaison role involves developing and keeping good relationships both within and outwith the organisation. (1 mark) Managers can foster relationships, which may allow them to gain support, eg planning permission, which could help them to meet their growth objective. (1 development mark)</li> <li>• Monitoring role involves checking progress at each stage, so any problems are identified quickly. (1 mark) This means managers can take corrective action to keep the organisation on track to meet its objectives. (1 development mark)</li> <li>• Disseminating role involves informing staff and others of objectives so that everyone is clear what is expected. (1 mark) This clarity means there is less likelihood of going off course in meeting objectives. (1 development mark)</li> <li>• Spokesman role is to let members of the wider community know what the organisation is doing. (1 mark) If a manager has displayed effective presentation skills, eg at a conference, this may win support for the firm's objectives. (1 development mark)</li> <li>• Entrepreneur role is to come up with ideas and decisions so the organisation can move forward. (1 mark) Creating and controlling change through the generation and implementation of new ideas, will ensure organisational objectives can continue to be met. (1 development mark)</li> <li>• Disturbance handler role involves dealing with any problems that arise to avoid delays in achieving objectives. (1 mark)</li> </ul>	10	<p>1 mark for an accurate evaluation 1 mark for a development point</p> <p>At least <b>two</b> roles must be evaluated to gain full marks.</p> <p>A maximum of <b>6 marks</b> for each role evaluated.</p> <p>A maximum of <b>6 marks</b> for responses which do not link the role to organisational objectives.</p>



Question	Possible response	Max mark	Additional guidance
	<ul style="list-style-type: none"> <li>• Resource allocator role is to decide how the company’s resources should be used, so that deadlines can be met. (1 mark) If the resource allocator does not have the right resources in the right place at the right time, then the organisation cannot meet its objectives. (1 development mark) This means allocating the correct amount of funding and assigning experienced employees to projects, so objectives can be met. (1 development mark)</li> <li>• Negotiator role involves acting as an intermediary between different stakeholders when setting objectives. (1 mark)</li> </ul> <p>Accept any other suitable response.</p>		

Question	Possible response	Max mark	Additional guidance
10	<p>Responses could include the following:</p> <p><i>Social Chapter</i></p> <ul style="list-style-type: none"> <li>• The Social Chapter aims to standardise working conditions throughout the EU, so that all workers within the community are guaranteed basic rights. (1 mark) This includes a minimum wage being paid to all workers, a maximum working week, minimum paid holiday per year, freedom to join a union, and access to appropriate training. (1 development mark)</li> <li>• This increases labour costs to UK businesses, eg in employing more people to cover maternity/paternity leave, raising costs, and so reducing profit. (1 mark) However, industrial relations may improve if employees are now more involved in making company decisions, which might lead to increased motivation and so increased production, making businesses more efficient in reducing unit costs. (1 development mark)</li> <li>• High labour costs, due to the minimum wage in the UK, make it difficult for UK businesses to compete with lower wage countries such as China, so they can lose out on revenue/sales reducing profit. (1 mark)</li> </ul> <p><i>Single European Market</i></p> <ul style="list-style-type: none"> <li>• The Single European Market removed barriers to trade between EU member countries, to allow for easier trade between them. (1 mark) UK businesses now face increased competition, particularly in the public sector, where foreign firms can bid for contracts, so UK businesses may have to reduce prices to compete. (1 development mark) However, the reduction in the amount of paperwork which is required for goods traded between EU countries, should save UK businesses time and reduce costs. (1 development mark)</li> <li>• Many UK businesses have had to alter their products to meet safety aspects of EU regulations, which increases business costs. (1 mark)</li> <li>• Greater mobility of labour can give UK businesses a wider choice of employees who are prepared to work for less than UK workers, so reduces wage costs. (1 mark) For example, this happened in the construction industry where many qualified Polish tradesmen were willing to work for less than UK tradesmen. (1 development mark)</li> </ul>	10	<p>1 mark for each valid discussion point 1 mark for a development point</p> <p>At least <b>two</b> policies must be discussed to gain full marks.</p> <p>A maximum of <b>6 marks</b> for each policy discussed.</p> <p>A maximum of <b>6 marks</b> for responses which do not link the policy to profitability.</p>

Question	Possible response	Max mark	Additional guidance
	<p><i>European Monetary Union</i></p> <ul style="list-style-type: none"> <li>• There is now a single currency, the euro, for many member states but the UK opted out of joining. (1 mark) The European Central Bank is responsible for setting interest rates throughout the participating euro countries. (1 development mark)</li> <li>• UK businesses now have to quote their prices in euros as well as in pounds, and be able to make transactions in the euro, which means additional costs in administration and training. (1 mark) UK businesses trading with eurozone companies are dependent on the value of the exchange rate between the £ and the € (1 mark), eg if the value of the pound falls against the euro, then this makes UK exports to countries in the eurozone more competitive, so UK businesses can see an increase in sales and profits. (1 development mark)</li> </ul> <p><i>European Enlargement</i></p> <ul style="list-style-type: none"> <li>• The EU has grown since its inception of six countries and now has 28 members. (1 mark) This increased the size of the market accessible to UK businesses to over 500m, which could increase sales significantly. (1 development mark) It also gives UK businesses access to cheaper resources/products to sell to UK customers, which will increase profits. (1 development mark)</li> <li>• This provides improved investment opportunities within these countries for UK businesses, as they could set up there for much lower costs than in the UK. (1 mark)</li> </ul> <p>Accept any other suitable response.</p>		

[END OF EXEMPLAR MARKING INSTRUCTIONS]