



# **Advanced Higher Business Management: Exemplification of the Business Report**

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## Commentary

The enclosed extracts from scripts have been marked according to the marking instructions for the 2007 diet, which formed part of the Specimen Question Paper. These instructions were rewritten (not revised) to provide greater clarity for Markers about the way marks should be allocated. A copy of the re-written instructions is included together with examples of the work of two candidates for each section of the report.

All the extracts supplied are from relatively high scoring reports, all of which were well-justified with reference to the *Researching a Business* NAB and supplementary information supplied in appendices. Candidates **must** back up their statements with evidence. The *Researching a Business* NAB **must** be attached to allow the Marker to check that the evidence exists. Points not justified with reference to the NAB should be supported by material in appendices.

Centres should note that some amendments have been made to the way in which marks will be allocated in future years. An up-to-date copy of the marking scheme for the Business Report is to be found in the Specimen Question Paper.

### Section 1 Analysis

(a)

#### Extract 1

The candidate has wisely chosen a small organisation, in this case a charity, where information is likely to be readily available and/or straightforward to access. The strategy is unsophisticated but realistic for the organisation. A drawback of selecting a larger organisation such as a plc for research is that the strategy may be quite complex and difficult to analyse; on the other hand choosing a very small firm with not much of a strategy other than continuing as usual can lead to a dearth of matters to write about. In general, while it is perfectly acceptable to analyse and explain a strategy involving doing nothing new, such a strategy can be much harder to justify than ones involving change.

#### Extract 2

This candidate presents a much more sophisticated strategy. The report is well laid out throughout, with each statement being clearly linked to evidence in the appendices. Although footnotes are not essential, candidates should explain clearly where evidence to support their evidence is to be found. Using footnotes avoids having to include this information in the text and lets candidates make better use of the word allocation.

**(b)**

**Extract 3**

The candidate presents several points solidly supported with reference to sources of information. In this case a mark was awarded for comprehensive coverage of the links between the strategy and all three of the organisation's major objectives.

**Extract 4**

This candidate makes a number of good points, but the second last paragraph is repetitious and does not merit a mark. Candidates need to proofread their work carefully to ensure that each sentence is adding something new to their argument. This is particularly important because of the constraint of the specified word limit of 3,500, which many candidates had difficulty in keeping to.

**(c)**

**Extract 5**

This candidate presents their analysis well and scores a mark for each explanation. The point about tourists looking for food is an external factor (opportunity), while those about the non-use of the back garden and stopping serving meals at 2 o'clock are internal factors (weaknesses); consequently no credit is given for these.

**Extract 6**

This candidate makes a number of justified points, but the last point under 'Opportunities' is vague and unsupported by any example of 'new technology' and the second threat is not fully explained, and is debatable in any case.

**(d)**

**Extract 7**

The candidate specifies clearly a number of resources that will be needed and gives specific reasons as to why each resource is vital for the strategy to succeed.

**Extract 8**

This candidate makes several sound points, justified with reference to the business being researched. However, the sixth, seventh and eighth paragraphs consist of a list of general points about different sources of finance which are not specifically related to the business (apart from a passing reference to Appendix 5). The last sentence gives the game away — the candidate does not know whether the owner is in a position to self finance! One mark is allocated for this whole section.

**NB:** Candidates must make sure that every point they make relates specifically to the organisation they have researched.

## **Section 2 Evaluation**

(a)

### **Extract 9**

The candidate makes two points on each of Marketing, Finance and Operations. The justification of the need to introduce a new stock system — that the firm needs to ‘ensure the stock is organised and accounted for to allow operations to run smoothly’ is a general, vague point which would apply to any business. Since all points must relate specifically to the business being researched no credit is given for this.

### **Extract 10**

The candidate gains 2 marks for discussion of the implications for Human Resources. The first point in the fourth paragraph about changes in the Administration system is credited, but the next point dealing with the HR implications of this is a repeat as the maximum has been reached. One mark is allocated to the final paragraph. If the sentence beginning ‘Brainstorming sessions ...’ had been justified with respect to the business under consideration, an extra mark could have been gained; as it stands it simply mentions some things any business in a similar position might do.

(b)

### **Extract 11**

Several of the points explained are fairly straightforward but most are related specifically to the candidate’s research. The last point on internet sources is weak; it does not explain the specific relevance of the information obtained to the firm.

### **Extract 12**

The first paragraph, which consists of further justification of the strategy, is irrelevant to this section. There are several justified points in the next two paragraphs, although the last point, about HMI reports, is too vague to merit a mark. The first sentence of the third paragraph describes the reasons for issuing a questionnaire rather than the usefulness of the actual information it elicited; however the paragraph as a whole is given a mark for explaining the value of the consultation exercise.

(c)

### **Extract 13**

The candidate makes four well justified points about the effects of the strategy on stakeholders, along with some vague, unnecessary ones which are not credited.

**Extract 14**

This has been made easy to mark by the candidate describing each stakeholder first of all (not actually necessary as this has been done in the *Researching a Business* NAB), then explaining why the strategy will or will not meet their expectations.

(d)

**Extract 15**

The candidate explains several reasons for the likely success of the strategy. The final paragraph is not credited as it is a general point, which could apply to any business.

**Extract 16**

This is the work of an excellent candidate who gives very specific justifications as to why the strategy will succeed, backed up by copious support in the appendices. Candidates should be wary when using bullet points, however, and ensure that they offer adequate explanation of all points — not a problem for this candidate as they had so much to say based on the evidence gathered.

## **Extract 1 — Analysis**

### **2. The Strategy**

I am researching C--- Charity Shop, which is situated in Aberdeen. It raises money to go towards the Charity's running and its resources and treatments, by acquiring donations of goods such as clothes or games from the public and selling them. The Charity aims to provide a range of services to those suffering from cancer and their carers within this area. These services include booklets of information being made available, aromatherapy, reflexology, reiki and many more. Also, the Charity holiday home offers accommodation to those who deserve a break. The Charity's motto is 'to comfort always'.

The strategy I propose for C--- Charity Shop is to extend the opening hours in order to increase its profits. Currently the shop is open from 10am to 4pm on weekdays and from 10am to 1pm on Saturdays. Through at least extending Saturday opening hours the increased sales and profits would enable the Charity to improve existing support and resources, and also expand on these in order to offer more help. Referring to Appendix A, questions 1 and 2 showed that 100% of volunteers agreed Aberdeen is busiest on Saturdays and therefore it is beneficial for the shop to stay open then. Question 6 backs up this point as 75% of staff said there are regularly people trying to get into the shop around closing time. This suggests that there is a need for this strategy and it would be successful.

The strategy is likely to take eight to twelve weeks to implement. This is outlined in Appendix B by the Senior Shop Manager, in question 3. This allows two weeks for an advert to be put into the press (in a local newspaper like 'The Evening Express') for volunteers to work in the shop for additional hours. Question 5 shown in Appendix A showed this advertising *is* required as 100% of staff said they knew of no one who could work on a Saturday afternoon. The third week would consist of the Senior Shop Manager looking through applications and organising and conducting interviews. Chosen candidates then have a few weeks to train and get shown their duties, taking into account they need time due to existing commitments. During these weeks, the extended opening hours would be advertised. The main method of advertising would be posters in C--- House and Charity Shop. The charity could also put an advert in the local newspaper in order to inform an extended audience. It is likely that the media may allow the Charity to advertise free as they like to be seen as supporting charities. However, the Charity has to be aware that it is likely to take a few months for the strategy to take effect and profits to increase. The cost of the shop premises being open longer such as heating and lighting is minimal and would easily be covered by the increased profits. This means no extra time is needed to raise funds.

## **Extract 2 — Analysis**

### Strategy

M--- Physiotherapy Clinic is a private Physiotherapy clinic, situated in the south suburbs of Edinburgh. It was established in 1991 and has experienced periods of growth and downsizing relating to the needs of the initial partnership and the present sole ownership<sup>1</sup>. It currently treats approximately 50 patients per week, referred from occupational health contracts, local GP referrals and a loyal word of mouth clientele. At present the patients groups are musculo-skeletal conditions, requiring a range of treatments<sup>2</sup>. It employs one part time practice manager<sup>3</sup>.

The clinic operates in a very competitive and changing market. The main factors contributing to this change would be the emergence of a new "multi-disciplinary"<sup>4</sup> approach to health care and changes within the NHS. This market has accelerated beyond expectation<sup>5</sup> presenting potential opportunities. From meeting the owner, I felt there was an underlying desire to expand the business. Therefore my strategy is:

"To elevate the practice in line with the market by relocating to new premises which would facilitate the expansion of current services offered and create an environment for high quality health care to be delivered using a multi-disciplinary approach."

In doing so, current patients would benefit from the increased number of services and it would open up markets for the clinic. This would then allow the different needs of patients to be satisfied. E.g. a patient could be treated for an injury by the Physiotherapist, and then be referred to the physio Assistant or work with a fitness trainer in the gym area or be referred to a Podiatrist. A patient having health problems related to their weight could consult the Nutritionist. This approach not only offers an improved health care service but will increase the number of patients the clinic can treat. The business would have several new streams of income that would significantly increase revenue and create a more profitable business – one of the points put across in the meeting with the owner<sup>6</sup>.

The strategy could take up to one year to fully implement. The lead-time would depend upon how quickly the needed capital is raised, not ruling out the potential need for investors or additional partners. Once the new premises are established the time period to find appropriately qualified and experienced staff could be lengthy. To complete the project within the financial budget<sup>7</sup> may also be a hindering factor.

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<sup>1</sup> See Appendix 1

<sup>2</sup> See Appendix 1

<sup>3</sup> See Appendix 1

<sup>4</sup> See Appendix 1

<sup>5</sup> See Appendix 1

<sup>6</sup> See Appendix 1

<sup>7</sup> See Appendix 5

## **Extract 3 — Analysis**

### **The Fit Between the Strategy and the Objectives.**

The organisation's chief objective is of course as a PLC to maximise shareholder wealth. (Source: Mr L---, see appendix 3). The strategy compliments this objective in a number of ways even though it will in the short term cost money, as an investment, in the cost of building and staffing and so shareholder wealth in the short term may suffer. In the long term, however, with better training facilities the club should be able to attract a higher calibre of professional football to the club and so overall increase the standard of football, possibly increasing the demand for the clubs matches to be televised and bringing prize money from greater success in competitions, especially in Europe.

Also it will mean that the club will be able to exploit young, local talent and train them up to a level good enough to use in the first team, eliminating costly transfer fees and huge wage demands needed to attract players already settled at other clubs. This of course keeps costs down and overall profits up. It should also enable the club to train young talent that may not necessarily be required for the Club's first team but who can be sold to other clubs making the club more revenue and again boosting profits and shareholder wealth.

The organisation's secondary objective, to provide a high quality of football, should be directly enhanced by the strategy, in training up the existing squad, the young players coming through the youth system and of course in attracting a high calibre of player from other clubs should of course increase the standard and quality of the football produced by the Football Club. A point confirmed by the Club's Football Development Manager who stated:

“if two or three clubs are fighting with us for a world-class player and we can show them this (facility), I'm sure it would tip the balance in our favour. I can tell you that when some of the big clubs around Europe come and have a look at this they'll think it is magnificent. To me the facility will put us up there with the best of them”.

Source: Daily Record, Tuesday, 3 April 2007

The organisation's third objective is to satisfy a feeling of social responsibility. Through offering an extensive youth training facility for free to local talented youngsters from the east of the City, where the Football Club has been based since 1888, the club can put something back into the community it sprang up from. The Club feel it is vital for them to be able to make an impact on the local young people and instil in them the “Club's Way” (Source: Mr L---, See Appendix 3). A code of moral values and way of living a good, disciplined, productive life. This way the new stadium brings the Football Club closer to its local community strengthening its ties and satisfying its need to be a socially responsible organisation.

The building of the new training complex will help the organisation to achieve success in all three of its major objectives and consequently this strategy seems to fit with the organisation.

## **Extract 4 — Analysis**

### **The Fit between the Strategy and the Organisation's Objectives**

The strategy of shutting down the wholesale sector of the business is related to the organisation's objectives in many ways. A long term objective for the business is profit maximisation. At present the wholesale division is draining capital from the business and therefore is dramatically reducing the levels of profit. These figures can be found in Appendix 1. Implementing the strategy will in the short term reduce profits. However by cutting costs by means of wholesale division sale, in the long term will allow for profit maximisation. This is because once the unprofitable section of the business is sold and costs recovered, the business can focus on making the retail section profitable again.

Another objective is growth. In the short term the strategy will not achieve this objective as it involves closing down a division of the business and making staff redundant. However in the long term the objective could be achieved by expanding further in the retail market and opening more retail outlets, after the business has financially covered the costs of implementing the strategy.

A further long term objective is to have a good image. At present the business is finding it difficult to cater for both the wholesale and retail markets. By implementing the strategy of focusing back onto the retail division the directors can spend time developing and re-establishing the retail image and concentrate on improving the quality of the retail products. The business's image will continue to be poor if the organisation does not take any action and continues in its present form.

The business aims to be more socially responsible. As a result, a short term objective is to improve on the disposal of environmental waste, in both the factory and the retail shops. The implementation of the strategy will fulfil this objective as closing the wholesale factory will result in a reduction in the use of cardboard packaging. As the business will not be a wholesale supplier any more there will be less of a necessity to use large volumes of cardboard. Overall, making the business more eco-friendly.

The final short-term objective is to increase the use of technology for communication. This could be achieved by introducing an e-mailing system for the business. The strategy can be linked to this objective in that selling off the wholesale business means the organisation is cutting costs. In the long term, once the business is back on its feet, funds could be used to purchase software to improve internal and external communications within the business.

The objective that is most directly related to the strategy is profit maximisation. Thus the strategy can be implemented in order to help the business achieve this objective, albeit in the long term. At present, the business is struggling financially and selling off assets, such as the factory from the wholesale division, will generate much needed funds that will help the business become more profitable again. In addition the strategy will lower staff costs such as wages and salaries, as fewer employees will be needed once the factory is sold.

The objective that is least related to the strategy is increasing the use of technology for communication. This is because closing down the wholesale division will not directly impact on technological communications. In addition the objective relates more to the retail division and communication between the shop managers and the company directors.

## Extract 5 — Analysis

### THE STRATEGY AND THE CURRENT STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS FACED BY THE BUSINESS (appendix 5)

#### 1. Strengths

*\* The restaurant is situated in the middle of the small busy seaside town attracting many visitors (potential customers) specifically during the summer season but also at other times of the year.*

The strategy involves increasing capacity for covers. This strength is relevant because there is no doubt that there is demand in the town for more capacity in restaurants. There has been a major rise in the numbers of tourists visiting N--- B--- because of the new website that has been created by the locals. This website allows tourists to see what N--- B--- has on offer (appendix 6).

*\* There are many shops, views and tourist attractions, which is positive competition for the restaurant and will provide the restaurant with customers.* The existence of positive competition has generated a good level of customers and now justifies the expansion to accommodate the demand.

*\* The restaurant is very popular with both locals and people from other places, which has led to recommendations through 'word of mouth'.* As the restaurant has maintained a good reputation in the town it has allowed many locals to become regulars. This will mean the business is guaranteed plenty customers in the winter season.

*\* There is a reciprocal arrangement in place with hotels in similar seaside towns (eg A---, F---) whereby recommendations are given to visitors.* As many of the local hotels are suggesting to go to the restaurant to all the customers in busy seasons it is often a problem as people end up having to come back at a later time for a vacant table. The organisation has also created new business cards to advertise the restaurant and café. These will be put out in the Hotels and will attract even more custom. (Appendix 7) By expanding the seating capacity this will no longer be a problem.

#### 2. Weaknesses

*\* The restaurant often experiences more demand than it can cope with* Currently in the summer periods there is more demand than the restaurant can cope with. However by expanding the seating capacity by over 50% there will be plenty seating for everybody. By looking at the *appendix 1*, in part (a) we can see the current floor plan. However, in part (b) we can see what the owners are proposing to do to help the situation.

*\* After closing hours there are often people still looking for meals*

Currently there are many tourists coming in after closing hours looking for food but we have to turn them away which is losing a lot of custom. By expanding the opening hours to all day serving this will no longer be a problem and we will have steady custom all day.

*\* The restaurant is currently only able to serve people who are looking for meals rather than snacks due to the lack of seating.*

The restaurant is turning away a lot of business by currently only accommodating for people who are looking for a meal. There are many tourists in the area who are just looking for snacks during the day so by offering snack facilities as well they will be opening up to another market. They are looking to introduce the menu presented in *appendix 8*.

*\* There is nowhere for people just to have a seat and drink while admiring the great view of the sea on offer from outside the restaurant.*

Creating a space where people can sit admiring the view while just having a drink will free space in the restaurant for people eating and reduce the amount of people being turned away.

### 3. Opportunities

*\* If the restaurant decides to offer a table d'hote option it is likely to get more custom especially during the quieter times as this is a deal that is not on offer anywhere else in the town.*

The organisation has seen that there is a gap in the market for a new pricing strategy. This will make the customers think they are getting a better deal. However at the same time it is likely to influence them into spending more than they would have on the old pricing strategy therefore the profits will rise.

*\* Currently the back garden is not being used, this can be converted into a café which will allow more seating and also more choice.*

By using the back garden, which is currently ground that is not being used (*appendix 2*), the organisation is able to expand by over half again which will mean they are able to take a lot more covers and offer both restaurant meals and snacks.

*\* By changing the times to all day service, they could start receiving the custom they have currently been losing out on, as many tourists will not eat at specific meal times.*

Currently the organisation is turning away many customers as they stop serving at 2 o'clock however if they start to serve all day they know there will be customers as they can already see the demand so would not be taking a risk.

*\* By creating an outdoor seating area out the front of the restaurant they could create a space where people can sit and relax with a drink, something that is currently not on offer in the area.*

If the organisation was to go ahead with the outdoor seating area, they would be likely to attract people maybe just looking for a drink however once they have experienced the great service and sat while looking at the menus they are likely to come back another day and try out a meal, so they will be reaching new customers.

#### 4. Threats

*\* Staff have heard informally that another restaurant - a little bit down the High Street - is presently looking to change the format of their menu. This could create tough competition.*

If the competition were also to change their pricing strategy this would be a threat, as it would reduce the sole interest that they would have received if it had just been them introducing a new pricing strategy. However they can try keeping the customers by offering special deals and by advertising their fresh local produce (Appendix 9).

## **Extract 6 — Analysis**

### **How the Intended Strategy Relates to the Current Strengths, Weaknesses, Opportunities and Threats Faced by the Company**

#### Strengths

The intended future strategy undoubtedly takes advantage of the Company's strengths. The organisation has a large amount of expertise in the area of fertility assistance therefore the strategy can benefit from this as not only will this expertise support them in developing new and existing services; it will also allow them to attract clients to their new clinics as they are recognised for their extensive knowledge in this area.

The Company is a large organisation therefore this is very beneficial for them when expanding as their purchasing power is extensive. The future strategy can profit from this as it allows the Company to be able to acquire expensive, up to date equipment that is needed to furnish new units. In addition they can take advantage of economies of scale when acquiring existing units.

Lastly they have gained a good reputation as a result of their ability to manage successful expansions in the past whilst still retaining their personal and high quality service. Therefore if they open new units they will not struggle to attract customers as prospective clients favour the Company.

#### Weaknesses

Currently the Company has a very slow reaction to issues it is faced with. This is the result of the lengthy decision process which is involved. This weakness will have a detrimental effect on their growth strategy as the Company cannot offer the degree of flexibility which is required for a major expansion.

The strategy will not improve the communication problems that they already have. As the Company has units all over different parts of England, they currently already suffer from further slow communications. An increase in the amount of units that is proposed will enhance this problem rather than eliminate it.

However, this weakness does have an advantage as the lengthy discussions involved will inevitably result in more informed decision making.

#### Opportunities

Their growth plans fit in perfectly with the Company's opportunities as the majority of them are involved with expansion. One of which is the gap in the market of IVF services in many locations. Many areas of the UK still do not have easily available independent IVF services therefore this is an obvious reason why the Company have chosen to expand into these areas.

In addition there is the opportunity for them to take on more funded NHS patients. In many hospitals the NHS sell on parts of the "service" to third parties for example cleaning and catering. The Company hope that they will sell parts of their IVF services therefore gaining an increased number of patients and resulting market share thus further reflecting their intended strategy.

Lastly there is also the opportunity of new technologies constantly becoming available to research and develop new and existing services. This overtly relates to their intended strategy as they can take advantage of these technologies in order to achieve success in their growth strategy.

#### Threats

Ironically the new technologies that are becoming available are a threat to the Company as an easier cheaper alternative to IVF may be devised. This would result in financial problems for the Company as they would have the potential to lose many clients. To remain successful and competitive they have to continually advance the availability and range of services which they offer. Their intended strategy aims to neutralise this threat as they are developing new treatments that will provide the Company with a safety net if an IVF alternative is produced by a competitor. Especially in this market, the Company appears to be aware that it is dangerous to rely too heavily on a particular service.

The increasing amount of negative media interest that the IVF industry is experiencing is potentially dangerous in a number of ways. Critics are speaking out about the amount charged for these services claiming that many companies are taking advantage of people in a vulnerable, desperate state. This may discourage patients from using this service, therefore the expansion would be unnecessary and a waste of finance.

Although the future strategy does not fully address all aspects of the Company's strengths, weaknesses, opportunities and threats; it directly takes advantage of major features. It is clear that the strategy addresses the weaknesses and threats, although some more than others; and builds on their strengths and opportunities.

## **Extract 7 — Analysis**

### **Resources Needed**

The resources needed to achieve success in the strategy are numerous and are far more complex than just the simple bricks and mortar. For the strategy to be a success the Club must work closely with architects to ensure that what is being built caters exactly to what they need. They also have to have a good team of builders and tradesmen organised by their contractors. All of these materials can be obtained by the Club through professionals based in the City or around Scotland and can be fairly easily found. The Club used advice from other Scottish clubs who have recently undertaken building ventures such as X---, who recently built a new stadium, and Y--- who built a similar state of the art training ground five years ago, and H--- who built, in conjunction with W University, a £15m state of the art “megagym and specifically designed football training complex” (source: <http://www.xxxxx.com>). Especially by researching what contractors and builders Y--- used when building their training ground the Club ensured that they knew how competent the professionals they are using are before they had signed contracts with them. This kind of research will be vital to the Club getting the proper resources for the strategy.

### **Difficulties in finding resources and how the Club may get hold of them**

Other resources will be harder to come by, such as specialist training equipment for the gym which will need to be ordered in and should be absolutely top of the range equipment fit for use by top athletes and professional sportsmen. These may need to be ordered from foreign manufacturers and in that case could take a long time to be ready to use, in Y---’s training ground, the state-of-the-art gym cost £150,000 to build and every piece of equipment is linked to the medical centre’s computer to allow the club Doctor to monitor every player and personalise their fitness regimes. See Appendix 1. Also top of the range IT will be required so that players can analyse opponents and their performances in training and recent games. The Club’s first team and youth development head coach claims:

“The training pitch will be set up for video equipment and we’ll be able to take DVDs from sessions and point individual things out to players. It’s a whole new world entirely.”

Also the Club will need to appoint new staff and coaches to run the training facility and run the youth academy and training programs, and they may need to train these people up to bring them up to the level required. Also they will need to make sure they have a good physiotherapy department and good facilities to deal with their top players to keep them at the top of their physical condition and also to ensure that when any player picks up an injury that player is properly cared for and the effects of the injury managed and hopefully reduced.

### Difficulties when using resources

In the first few months of using the new training ground the Club expect to have minor problems, or “snags” to iron out. This is common to all new build projects and can lead to the facility not being used to its full potential for a few months after it has been opened and the players and staff moved in. Also as with all new ventures like this it will take both the players and coaches time to get settled in and start to work properly with their new surroundings. This will be especially the case for the youth coaches who will begin to take on far more young players than they were previously able to and it will take them time to build up relationships with these young players and understand how best to manage their needs.

Another difficulty may be that the new ground may be a long drive from the homes of many of the coaches and players (youth and first team) who will now be relocated from the Club’s training ground, as it has been for the past 40 years, in the city’s East End across town to the new ground. However, it would be possible for the Club to supply bus services from these areas as at the moment they have to hire buses to bus their players and staff around the city anyway to find pitches as the old area does not have enough pitches to meet the Club’s demands of it. Source: <http://www.xxxxx.com>

## **Extract 8 — Analysis**

### **Resources Needed**

The resources that would be needed for the intended strategy would be finance, human resources, time and administrative.

Finance is needed to fund the cost of an advertisement in the paper. The price that the business would be required to pay for an advertisement in a paper, like the Metro would be £17 scc (per advert) in the recruitment section (Appendix 3). Finance would also be required to pay the new manager's wages/salary. After searching on S1jobs.com it was found that salaries for similar positions range from £15,000 to £25,000 per year (Appendix 4). The business would also need to gain finance for any training that they will need to provide. The sort of training that the business is likely to provide employees with is food hygiene training.

Human resources are required in that A--- is aiming to appoint a new manager. If she appoints from within the business, then she will have to find a replacement for the employee she promotes. A--- will also have to ensure that she is able to undertake the right recruitment and selection process so that the right applicant is employed. A--- will have to look in the right places in order to find the right applicant for the job. This would be placing adverts on s1jobs.com (an internet site) or by talking to local job centres to see what applicants they have to fill the place. For the manager's post, not only could A--- use the above methods, she could also enquire at local colleges or universities. There are certain colleges in the Edinburgh area which offer catering courses, such as Jewel And Esk Valley College. In the long term, if the appointment of a new manager is successful, the Company may grow to the extent that A--- will have to employ extra staff to cope with the workload.

Time is required to create and word the advert and to source where it is going to go to reach the right people i.e. on a recruitment website. Advertising on the internet will allow them to reach a wider market. However, it may be that A--- decides to advertise in a newspaper such as the Metro or the Scotsman which will allow her to reach a local market.

The way in which the business may get hold of the resources would be to research the internet and look for job advertisements (Appendix 3) to help them decide a suitable wage that would be offered to the new manager so that the business would be offering a rate that was competitive enough to entice potential employees.

The way that the business could gain finance would be to approach a bank such as the Royal Bank of Scotland, in order to gain a loan for the amount they need (Appendix 5). Another way that the business could gain finance would be to ask family and friends for loans to help the business fund the project that she is undertaking.

The business may also decide to change its status. A--- could consider taking on a partner to allow her to raise finance through him/her. The difficulty however, would be finding the right person.

Another way that A--- could gain finance in order to fund the hiring of the new manager would be to use savings that she may have. This would be an advantage to A--- and the business as she would not have to pay back the amount as it is her money. This means that costs are likely to remain low meaning that the business will make good profits. However A--- may not have any savings of her own.

In order to get the extra space that she needs A--- could consider buying, leasing or renting an industrial unit (Appendix 6). This would allow her to create the extra space that she needs in order to run her business more effectively. It will also allow her to cater for larger functions because she has the facilities available to do so, which will help to increase her sales and therefore her revenue.

The difficulties that the business may face when trying to get hold of these resources is that the bank may refuse to give her a loan. This may be because A--- has a poor credit history or the cash budget shows that the business is likely to face cash flow problems in the near future and will therefore be unable to pay back the loan.

## **Extract 9 — Evaluation**

### Evaluation

#### Implications of the Strategy for current resources

More time will be spent on marketing as one of the ways to develop the shop is through special promotions for calendar events such as Valentines Day and Mothers Day, as well as special promotional events targeted specifically at women to encourage more in the shop. A marketing budget of approximately £1000 will be set aside to cover the costs of advertising special events and for research into particular target markets.

In terms of finance all the profits are reinvested back into the business for future development. Overheads are going to increase as more people are employed, the cost of marketing increases, time and money is spent on research and development and they have additional expenses such as leasing or purchasing the van. Finances may be stretched with the purchase of assets such as the storage unit. However the owners have a contingency fund in case of unpredicted expenses or any problems with cash flow.

Operations will be carried out on a larger scale when the second shop is fully operational. The Company will also need to introduce a new stock control system for the new storage unit to ensure the stock is organised and accounted for to allow for operations to run smoothly.

The current staff will have additional responsibilities and will face job enlargement and will be trained to develop their product knowledge and to host the wine classes which will allow the owners more time to focus on the overall goals of the business. However this may lead to increased working hours for staff, overtime could offset resistance.

To enable them to host the wine classes and run the shop more independently they will be required to sit the W.S.E.T. 6 week certificated intermediate course, consisting of a weekly tutorial at Glasgow Metropolitan College, coursework and an examination at the end of the course. The cost of the course will be incurred by the business and will amount to £350 per person. This will be accompanied by on the job training carried out by both the manager and the owners using the 'sitting next to Nellie' method. The Company's employees are all keen to develop their skills and will be open to the changes.

Research and development will become a more prominent area in the business as it is vital they research their markets for wholesale as well as particular target markets to be able to tailor promotion to specific consumer segments.

A large amount of time will also be spent on the research of the 'Tulipa' glasses (see appendix 6) to investigate whether or not they will be a worthwhile investment. If research shows them to be, the development will necessitate working closely with producers in order to fill them with wines selected by the Company.

## **Extract 10 — Evaluation**

### *Evaluation*

#### *Implications of the Strategy for Current Resources*

Resources requirements regarding marketing and finance are total resources i.e. they do not need changes to the current requirements (see previous section: "Resources Needed for the Strategy" for details).

There will be changes to resource requirements concerning operations and human resources. Production schedules will need to be changed to allow for the new product to be manufactured alongside the production of product is being produced there could be staffing problems. There are two possible solutions to this problem. New staff could be taken on or existing staff could be given extra hours. New staff members would bring extra flexibility but might cause tension in that he/she might not fit in with tight social structures which are common in small businesses. Giving staff extra hours may be easier but may be unpopular if some staff see that others are getting more hours than them.

As mentioned in the previous section, the job remit of the Sales Representative will change to encompass also the MF range. This is a necessary step as it ensures that one person is responsible for all sales rather than a number of different people which could cause confusion. The Sales Representative will need to be trained in the benefits of fair-trade and organic products to the consumer and the distributor and briefed on all aspects of the new product from sizes to ingredients. This training, though time consuming is essential as it ensures that the representative is able to make the right pitch to the right people.

There will also be minor administrative charges. There may be increased work for office staff as they will be dealing with different suppliers and distributors as well as the current ones. Also Fairtrade Foundation and Soil Association paperwork will have to be completed and there will also be a need for new order forms etc. The office staff could be given overtime to cope with the extra work or a member of staff from another part of the organisation could be transferred to support the department on a part time basis for the implementation period. The benefit of allowing office staff overtime rather than transferring someone is that the office staff member knows the remit exactly and could probably complete the task quicker. However overtime pay can be higher than regular pay so this could be costly.

Research and Development resource requirements may also change. The Company will need to find additional ways of extending the life cycle of the new range - this could be through adding flavours to the range, adding a target market, updating packaging etc. Brainstorming sessions could be held with a number of staff generating ideas for product development or a single staff member could be appointed to be responsible for the products life cycle. Both methods are costly and time consuming however, research and development is always expensive as sometimes experiments and trials are fruitless but nevertheless it is important for sustainability.

## **Extract 11 — Evaluation**

### Strengths and Weaknesses of the Information used to Develop the Strategy

A number of different sources of information were used in the strategy's development. I interviewed the managing director of the Company a number of times in order to find out more about the business and its background, ethos, objectives etc as well as the plans for an organic fair-trade ice cream range. These interviews were recorded and typed out allowing me to refer back to them whenever necessary. This information was accurate and relevant as I had got it from the managing director of the company I was helping to develop a strategy for. The information was definitely worth having because it had cost nothing but time and it helped to ensure that I developed in the company's best interests. This primary information was also useful as I was able to go back a number of times to get extra information as well as see how the strategy was progressing.

I was also provided with figures related to estimate profits that will be generated over the next few years. This information while appropriate, accurate as again it came from the company's managing director, it was incomplete. An item of information that I lacked was any detailed financial data such as Trading Profit and Loss Accounts and balance sheets which would have given me some idea of the actual financial status of the Company. It would also have been beneficial to have had a Cash Flow Forecast for the strategy. However I was unable to obtain this information because the company declined to share this information with me because of confidentiality issues and also because the information could be damaging to the company if it got to other businesses or competitors. I don't think that this will affect the strategy as the company will only undertake something they know they can afford.

The Company also purchased market research information from a company called TW. TW gathers information from 4200 households throughout Great Britain who record their purchases of food and drink via a bar code scanner and a food diary. This forms the largest database on food and drink consumption in the UK. TW then determines the status of organic and fair-trade markets and provide the Company with the results. The information is quantitative and highly accurate as much of it is gathered via electronic means. The information is of secondary type however it has been purchased for the task and is highly relevant. The information cost the company a considerable amount of money, however if the strategy is to be successful, then finding out who is buying fair-trade and organic produce and where they are buying it is crucial.

The following internet sites were also consulted:

- <http://www.fairtrade.org.uk/>
- <http://www.soilassociation.org.uk/>
- <http://www.benandjerrys.com>

The sites were used in order to provide background knowledge on fair-trade and organic markets and required criteria for accreditation as well as the main competitor in the fair-trade ice cream market. They were free and so it was worth having, as the information is accurate because it comes directly from the companies/charities themselves and the websites are kept well up to date and are regarded as reputable.

## **Extract 12 — Evaluation**

### **Strengths and Weaknesses of the Information Used**

During the working group stage, the group gathered lots of information to see how the new strategy would work, if it would be the best solution and how successful it could be. The group felt that the strategy was necessary, as it was felt that the pupils in their second and fourth year were losing focus especially after they had made their course choices around February time in their second year. It was felt that they had to accelerate the curriculum to allow the pupils to be more motivated and focused when it came to their exams in May. Another reason to implement the strategy was to offer the pupils a wider range of educational choices in the later years of their school life. The pupils will be offered vocational studies after Standard Grade and with sitting their Standard Grades early; it will mean that some pupils can have two years sitting their Highers. By doing the strategy, it is maximising the time and opportunities available.

The working group used a wide range of information. They looked at national research of pupil attainment, which allowed them to see the pupil's success at that age group so they could see that the lack of focus in second year was felt on a national level. The working group requested other teachers from other schools who were in the process of the strategy to come and talk to them about how they had implemented the strategy, how they were monitoring the strategy and if the strategy had seen any improvement in the pupils. This information was valuable for the school as it allowed them to ask any questions or queries that they may have however there was a slight gap in the information as there were not a significantly large number of schools that had carried out the strategy so they could not be certain that it would be successful. This information from the fellow teachers from other schools also allowed the school to see where some schools had possibly gone wrong with their strategy; this would allow the working group to make small changes to their strategy so that they would not make the same mistakes.

The government had a member of their staff from education to give advice to schools about implementing the strategy. This member of staff provided important information for the school to see when discussing the strategy, it meant that the government was showing their support with the strategy and it meant that the schools would be more prepared when implementing the strategy. At the early stages of the working group the school also looked at HMIe reports. This also allowed the school to look at pupil's attainment on a national level so that they could see if the strategy would be the best possible solution to the problem of the pupil's losing focus and motivation during second and fourth year.

After gathering information in the early stages of the working group the group sent out questionnaires to the primary seven pupils, parents and staff to see if the strategy would be a positive change in their eyes and to see if there was any information missed out before they put together the proposal. This is use of primary information as the school is gathering it themselves. Once the proposal was finalised they had a meeting with staff, they gathered the comments and then made further changes before consulting the parents and pupils with the proposal. After the consultation there was again some changes made in terms of time and resources and

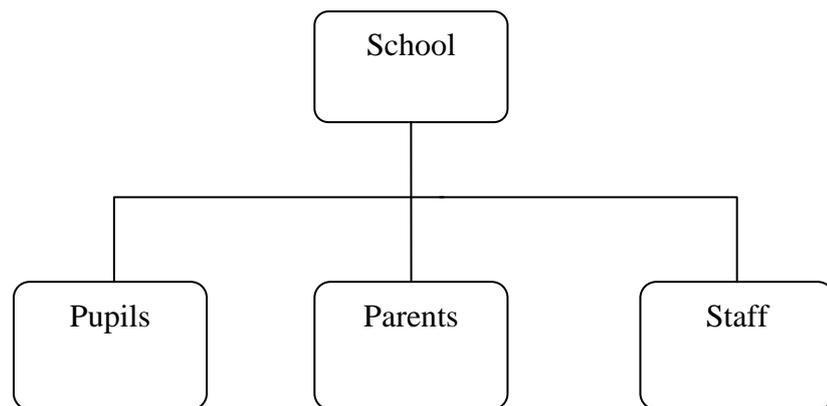
then the final strategy was ready to be implemented. Through this consultation it allowed the working group and the school to get further information that could make the strategy more clear and possibly lessen the chance of failure.

There are many benefits and costs of getting the information. The main disadvantage of the information is the cost of it; it cost the school money to send out the questionnaires to the primary seven pupils, parents and staff. However all the other information gathered was very cost effective. The information was mostly very accurate, up-to-date, relevant and appropriate.

## **Extract 13 — Evaluation**

### **The Strategy and Stakeholder Expectations**

The school's main stakeholders are:



- The Pupils – the pupils at the school expect the best of resources and teachers to aid them in getting the best results in their exams. The pupils want to achieve as many qualifications as they can and this is where the strategy fits in. The strategy allows the pupils to sit their exams a year early so they have an extra year to achieve more Higher passes or other vocational skills. The strategy has a major impact on the pupils as it concerns them the most, the pupils will experience sitting exams earlier, a new way of learning in their latter school career and it will affect them by the strategy being judged by their success or failure. The strategy could be very beneficial for the pupils as they could achieve more qualifications which could see more pupils going onto further education at university and they can also experience other skills and courses which at the moment is not offered at school, this could help the pupils realise what career they would be best at and would most enjoy.
- The Parents – the parents of the pupils are at the centre of this strategy. Their children's education is a priority for most parents and they will therefore want to be well informed and kept informed throughout the strategy. The parents similar to the pupils want the school to do the best for their pupils and the strategy fits this expectation as the school is changing their curriculum to make the education opportunities for the pupils greater. The strategy affects the parents as it is working with their children's education, if the strategy is successful then the children should leave school

with more qualifications and the parents will be happy as the school has allowed the pupils to have more opportunities. On the other hand if the strategy fails and pupils leave school without any qualifications then the parents will be very angry with the school, which may also cause other parents to stop their children going to that school. However the school has many plans for any children who may not be able to cope with sitting exams early and therefore lessening the risk of pupils leaving school with no future opportunities.

- The Staff – is very important to the strategy, as they have to be performing so that the pupils are ready to sit their exams. The school feel that their staff is committed to the job and they will try their best to allow the pupils to achieve good grades. The staff will have to work harder in the beginning of implementation of the strategy, as they will have to make some changes to the courses so they can include some second year work in the first year course. The strategy will benefit members of staff, as they will feel like they have achieved something if they can succeed in getting their pupils to pass the Standard Grade.

## **Extract 14 — Evaluation**

### **The Extent to Which the Future Strategy Meets the Expectations of the Key Stakeholders in the Business**

There are many stakeholders within the Company who have an interest in the running of the organisation. The main stakeholders in the business include the owner, employees and all of the members.

The owner has an interest in the business and also many expectations for the Company to meet. One particular expectation is to ensure that the organisation is attracting more women to change their lifestyle. She also wants to ensure that the Company is providing an excellent facility, therefore gaining a good reputation and as a result the possibility of gaining more members. The future strategy of the Company has a direct link with this expectation and the effects of this strategy will also be beneficial to the owner. This is because through television advertising the expectation of attracting more women to use the facility is likely to occur. This is because the advert will be shown during popular television shows, reaching out to a wide audience throughout the country. It is also likely that the Company will receive a good reputation from this method of advertising as it will become a recognisable name and people will know exactly what to expect of the Company. As a result of this it is likely that more women will go along to try out the facility and see if the Company is something which they could include in their everyday life. IF this situation occurs the future strategy of the Company is likely to be very beneficial to the owner as not only will the expectations which have been set be met, but the owner may also achieve long term objectives as the club may become a household name and profits may be made.

The employees are also stakeholders who have a particular interest in the running of the business. The employees have an interest in the running of the Company because it pays their wages therefore their expectation of the business will be to ensure that the Company is always attracting new members. The future strategy again ties in with the expectations of the employees and will also be beneficial in meeting these expectations. This is because the television advert will appeal to women of all ages, encouraging them to come along and try out the facility. As a result of the advert, it will be beneficial to the employees as it is likely that new members will constantly be joining the club all the time, rather than just over a short period of time.

The members of the Company are also stakeholders in the business. This is because they are paying to use the facility therefore; their expectations of the Company are to ensure that the facility is meeting their needs and requirements. These expectations of the members are not met in the future strategy. This is because the future strategy deals with advertising and encouraging women to try out the Company, it does not influence the running of the club. The advert will however, show exactly what you can expect at each club, therefore members can ensure that they are receiving the encouragement and support that they should be receiving.

The future strategy meets those aspects of the SWOT, which stakeholders see as most important. One particular opportunity, which concerns the owner, is the ability to remain the market leader. The future strategy meets this aspect as it gives the business a good reputation, encourages more women to use the club and also allows the Company to remain on top, as a leading fitness facility.

## **Extract 15 — Evaluation**

### **Evaluation**

From my findings, I believe the strategy will have a very positive effect on the running of the shop and the club as there are no prominent difficulties which could get in the way of its success.

I carried out constant observation over a one year time period where I visited other clubs in the surrounding area and no professional shop or club has the same facility. This is a huge advantage for Mr H because it means that competition will be low when the facility initially opens. This means more profit will be made as customers have no other business to use; therefore Mr H has to make sure that he maintains a high level of service in order to retain his customers. This method of primary research was very useful as it allowed me to see what other clubs were doing to please their members and as it turned out they didn't have an ambitious idea like Mr H to make more profit.

Another primary research method that I used was surveying. I regularly asked members of the golf club what they thought of the new strategy and there was nothing but positive comments. Many of the members thought it would give the club a very good reputation on a national scale and they recognised that they could get many more visitors coming to the club which they welcomed. This positive feedback from the members shows Mr H that he has an enormous amount of support and this will help him in the future as these members will be more likely to book a lesson.

The Sports Development area of the local Council has recently introduced new health initiatives which Mr H has recognised as a major way to get his new strategy going. He will be able to tie the initiatives into the facility by saying that it is a great way to keep fit and stay healthy while keeping in with the theme of attracting youngsters. The local schools are constantly displaying new posters and leaflets about the new schemes and there could be an opportunity for Mr H to put some sort of advertisement in these promotional items so that more people know what he is offering. The Local Authority website also displays these advertisements so he could request to get an advert put in this section on the website to bring more business and also to promote healthy living. Mr H's constant meetings with the Council and the Community Chest highlighted the importance of getting young people involved in the strategy. Therefore Mr H plans to focus his adverts around attracting young people so that other problems in the area like vandalism are kept at a minimum because young people have something new to do.

All of these findings helped in my research as they allowed me to analyse the likely success of the strategy.

Mr H will be able to measure the success of the new teaching room by looking at the amount of revenue that he is taking compared to when the strategy wasn't operating. He will be able to look at his accounts from the previous years and compare the product sales and total revenue when the strategy has been in place for a reasonable amount of time. If revenue has increased then it will be clear to see that the strategy has worked. Success could also be measured by looking at the volume of visitors that the club gets when the strategy is in place because if this increases then people may be coming for the new facility which is good for the club's reputation.

The only possible problem that could throw the strategy off course is any unexpected circumstances concerning the building work. No-one can predict whether the construction will go smoothly or not so Mr H has to plan for any such difficulties by allowing extra time for the strategy to be completed. Unexpected difficulties may result in having to borrow money which was the only thing he didn't want to do. Although this is a very unlikely scenario, Mr H has to make provision for this.

## **Extract 16 — Evaluation**

### Overall Evaluation

The new approach delivered to the current client base, combined with the current levels of new patients attending the clinic<sup>24</sup> could see the new practice survive on that alone. The very large proportion of loyal customers, willing to attend the new practice<sup>25</sup> will give the strategy a strong foundation to build from. The customer survey showed that almost half of the patients believe the current fee structure is “very competitive”. This provides evidence to support a slight increase in the fee, which would not deter customers greatly. Over 80% of customers in the survey said that they would be interested in other forms of health care and they are “very satisfied” with the current levels of service.

The new practice would be able to attract new segments of customers. The Rugby Club and Gym Surveys<sup>26</sup> carried out showed that it would be attractive to young and older sports people. The latter said over half would be willing to pay more than the clinic current fee structure and 83% showed an interest in the new approach. If these new segments are as satisfied with the service as the current patients are and the percentage of new patients from word of mouth referrals continue<sup>27</sup> this will lead to a bigger segment of the market. This could lead to a significant increase in the numbers of satisfied customers.

The strategy will be measured in terms of:

Profit:

- A gross profit ratio of 17% at the end of year one
- A net profit ratio of 30% at the end of year two
- The number of customers to profit doesn't fall below present levels

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<sup>24</sup> See Appendix 6

<sup>25</sup> See Appendix 7

<sup>26</sup> See Appendix 9

<sup>27</sup> See Appendix 6

Staff:

- Turnover is being minimised
- If staff being highly motivated (through appraisals)

Customers:

- Levels of satisfaction have increased (through surveys)
- Numbers have increased to 60% of capacity after year one
- Numbers have increased to 75% of capacity after year two
- Word of mouth referrals doubled
- Entrance into sports club market
- 30% use website for booking appointments after year one

The biggest difficulties for the strategy would be in terms of the finance. The funding could be denied, perhaps as a result of the recent turbulence in the financial markets. If the Bank of England continues with their current trend of interest rate increases, the clinic's loan repayments would increase. This coupled with rising inflation means consumers have a greater incentive to save and have less disposable income. Although the UK economy is relatively stable, these factors could worsen or improve in the foreseeable future.

The existing multi-disciplinary clinics may have already taken a controlling share in the market and it may prove extremely difficult for the clinic to enter it. The competitors sunk costs, such as advertising have not been significant or on any great scale. Barriers to entry do not look particularly strong although there is no definite way of knowing.

Another potential large stumbling block will be if any staffing problems occur. If staff are to leave, in the time is taken to find replacements the clinic could not provide that particular service. Turning patients down may cause them to seek treatment from competitors.