

C010/SQP294

Business Management
Advanced Higher

NATIONAL
QUALIFICATIONS

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COURSE ASSESSMENT SPECIFICATION

BUSINESS MANAGEMENT ADVANCED HIGHER

The purpose of this document is to provide:

- ◆ Details of the structure of the Question Paper in this Course
- ◆ An outline of the Business Report
- ◆ Guidance to centres on how to use information gathered from the Question Paper in this Course to estimate candidate performance

Part 1

This part of the Course Assessment Specification details the structure of the Question Paper in this Course and gives an outline of the Business Report.

Course Assessment

The Course assessment has two components, a Question Paper and a Business Report:

| | Time allocation | Mark allocation |
|-----------------|-------------------------|------------------------|
| Question Paper | 2 hours 45 minutes | 100 |
| Business Report | Completed during Course | 50 |

Question Paper

- ◆ The paper examines knowledge and understanding, problem solving, critical thinking and decision making
- ◆ The paper requires candidates to apply their knowledge and understanding to the current situation of a particular business
- ◆ The paper will consist of two sections, One and Two.
- ◆ Section One will consist of extended response interpretation items related to a case study of a business while Section Two will be extended response questions.
- ◆ The paper will have a total of 100 marks
- ◆ Questions in both sections may focus on particular areas of Course content but there will also be questions which provide an opportunity to integrate topics across all areas of the Course content. These integrative questions may cover topics from two or more of the three Units which comprise the Course.

Section One – total marks available 50

This section of the paper will assess knowledge and understanding, problem solving, critical thinking and decision making.

It will consist of a case study of a business organisation with a number of extended response questions totalling 50 marks. Candidates will be expected to attempt all questions. The questions will require candidates to interpret the information in the case study and to explain, analyse and evaluate the situation faced by the company. The number of marks allocated to each question will vary depending on the nature of the response required. Candidates may be required to assume a management position and make decisions necessary to solve problems.

The case study will be about 1250 words long and will explain the current situation of a Scottish based organisation. It will be based information from company annual reports but may also include information from the newspaper or magazine articles and from company website or other internet sources. The case study will be supplemented by a small number of “exhibits” containing additional information such as extracts from company accounts, details of the internal and external environment faced by the company and quotes from leading managers in the company.

Candidates may be asked to:

- ◆ analyse the information given and identify the problems
- ◆ evaluate the significance of the context in which the case study is located
- ◆ examine critically the issues faced by managers and any constraints on them
- ◆ devise solutions and make recommendations for managerial action
- ◆ justify their recommendations.

Section Two – total marks 50

This section of the paper will assess knowledge and understanding and critical thinking.

- ◆ It will consist of four questions drawn from any part of the Course content.
- ◆ Candidates should attempt any two questions.
- ◆ Each question will require extended answers and will be worth 25 marks.
- ◆ Questions maybe divided into two or more parts.

In the Section Two candidates are expected to make use of wider knowledge and understanding in their answers. The case study may provide a stimulus for questions and candidates may use examples from it in their responses. Section Two questions will widen the coverage of the assessment to reflect more fully the Course content. Candidates are expected to refer to examples of other organisations and to refer to business issues which are not covered directly in the case study.

Business Report

This part of the Course assessment has 50 marks available. It will assess the ability of candidates to:

- ◆ apply their knowledge of business management in a critical way to an actual business situation
- ◆ gather and evaluate information
- ◆ draw valid conclusions and make realistic predictions from this information

Candidates are required to assess the current situation of a business of their choice and to explain, analyse and evaluate the future strategy of the business. In particular, they will be expected to:

- ◆ explain what the business intends to do and how this strategy fits in with the objectives of the business the current situation of the business
- ◆ analyse how the future strategy relates to current strengths, weaknesses, opportunities and threats
- ◆ analyse the resource requirements of the intended strategy
- ◆ analysis of the implications of this for the current marketing, operational and human resources of the business
- ◆ evaluate the strengths and weaknesses of the information used by the business to decide on its future strategy
- ◆ assess the extent to which the future strategy meets the expectations of key stakeholders in the business
- ◆ make an overall evaluation of the extent to which the strategy is likely to be successful.

Candidates will be required to produce a report on the above. It should be between 2,500 and 3,500 words in length, excluding any appendices. The report will be externally marked. Centres will be informed by SQA of the date by which reports must be received.

Marks will be allocated for each of the various requirements of the report as shown in the table below:

| | Marks Available | Marks Awarded |
|--|------------------------|----------------------|
| Explanation and Analysis | | |
| a. Explanation of what the business intends to do for a forthcoming specified time period | 6 | |
| b. Explanation of how the strategy fits in with the objectives of the business | 5 | |
| c. Analysis of how this intended future strategy relates to the current strengths, weaknesses, opportunities and threats faced by the business | 8 | |
| d. Analysis of the resources required for the intended future strategy | 6 | |
| Evaluation | | |
| a. Analysis of the implications of the strategy for the current marketing, operational and human resources of the business | 6 | |
| b. Strengths and weaknesses of the information used by the business to decide on its future strategy | 8 | |
| c. Assessment of the extent to which the future strategy meets the expectations of key stakeholders in the business | 6 | |
| d. Overall evaluation of the extent to which the strategy is likely to be successful | 5 | |
| TOTAL MARKS | 50 | |

Relationship between Unit and Course assessment

With the exception of the *Researching a Business (Advanced Higher)*, the Unit assessments sample the knowledge and understanding gained during the learning and teaching process. Each Unit assessment is self-contained and covers only the content relevant to that Unit. A significant purpose of the Unit assessment is to enable candidates to demonstrate that they have grasped the essential aspects of business management introduced during a Unit. Unit assessments allow candidates to apply their knowledge and understanding but in contexts which are familiar to them. As such, they provide an on-going benchmark against which candidates can measure their progress.

Unit assessment for the *Researching a Business (Advanced Higher)* will require candidates to research a business of their choice and assess its current situation. This assessment will form the basis of subsequent work examining the likely future situation of the business and the strategy that it intends to pursue. This work will be written up as the Business Report which is a component of the Course assessment.

The Course assessment is split into two parts. The Question Paper samples all aspects of the Course content. It tests knowledge and understanding but does so in a way which involves integration of topics from across the whole of the Course Content. It also tests retention of material to a greater extent than the Unit assessments. In addition, the Course assessment requires candidates to demonstrate an approach which involves critical thinking, problem solving and decision making. Unlike the Unit assessments, they must also apply their knowledge and understanding to an unfamiliar case study. The case study is challenging and candidates must also demonstrate an ability to rapidly assimilate and make sense of new information.

The Business Report builds on the Unit assessment in that candidates must take forward their initial assessment of a business situation. They will be required to gather information and present it in a logical sequence. They will be required to analyse the likely future situation of the company they choose and to draw conclusions about it. To do this, they will be expected to make use of topics from across the Course content. In this way this component of the Course assessment provides a more demanding challenge than that required by the Unit assessments.

The different emphasis of the Unit and Course assessments will ensure that there is no unnecessary duplication of assessment. On occasions, it is possible that the same topic may feature in both assessments but candidates will be expected to carry forward the knowledge and understanding of a specific topic from the Unit assessment and apply it in unfamiliar contexts and/or in association with other topics in an integrative way.

The “added value” of the Course

The Unit and the Course assessments complement each other. Candidates may undertake Units on a stand-alone basis. The holistic approach to Unit assessment means those who take this route will be able to demonstrate specific achievement in a particular aspect of Business Management. The Units all build on work at Higher level and those who successfully complete them will be able to show that they have a comprehensive knowledge and understanding of contemporary issues in Business Management. Candidates who undertake the Course will have additional demands imposed upon them which will enable them to gain significant benefits over and above those gained completing Unit assessment.

The additional demands will require candidates to:

- ◆ demonstrate the retention of knowledge from all areas of the Course content
- ◆ integrate knowledge and understanding from all areas of the Course content
- ◆ respond to questions relating to unfamiliar and more complex contexts
- ◆ interpret a case study of a company and display critical thinking, problem solving and decision making in responding to questions based in the case study
- ◆ present a lengthy reasoned assessment of the future strategy of a business of their choice.

The additional 40 hours for the Course is to allow these additional demands to be met. It also gives those delivering the Course the opportunity to make use of a wide range of teaching and learning strategies to assist candidates in meeting these additional demands.

Part 2

This part of the Course Assessment Specification provides guidance on how to use assessment information gathered from the Question Paper to estimate candidate performance.

The Course award is based on the total of the marks gained in the Question Paper and the Business Report. The Question Paper accounts for 100 of the 150 marks.

In National Qualifications cut-off scores should be set at approximately 70% for Grade A and 50% for Grade C with Grade B falling midway.

The estimate should be derived by adding the prelim mark to the mark for the Business Report.

For a total mark range of 0 – 150, the following gives an indication of the cut-off scores:

| Grade | Band | Mark Range |
|-------|------|------------|
| A | 1 | 128 – 150 |
| A | 2 | 105 – 127 |
| B | 3 | 98 – 104 |
| B | 4 | 90 – 97 |
| C | 5 | 83 – 89 |
| C | 6 | 75 – 82 |
| D | 7 | 68 – 74 |
| NA | 8 | 60 – 67 |
| NA | 9 | 0 – 59 |

These cut-off scores may be lowered if the Question Paper turns out to be more demanding or raised if the Question Paper is less demanding than intended.

Worked example

A candidate scores 62/100 in a centre's own prelim and 30/50 for the Business Report, giving a total mark of 92/150. In estimating performance for this candidate, the centre might apply the following considerations:

- ◆ The centre's view is that the prelim is slightly less demanding than the question paper in the SQA examination.
- ◆ Using the table, a realistic estimate of the candidate's performance in the SQA question paper may be **band 5** rather than band 4.

BUSINESS REPORT

BUSINESS MANAGEMENT ADVANCED HIGHER

Aims and Requirements of the Business Report

The Business Report is a component of the Course assessment for Advanced Higher Business Management. The Business Report accounts for 50 of the 150 marks which are available for the Course assessment. The other 100 marks are obtained from the Question Paper.

The Business Report will assess the ability of candidates to:

- ◆ apply their knowledge of business management in a critical way to an actual business situation
- ◆ gather and evaluate information
- ◆ draw valid conclusions and make realistic predictions from this information.

Candidates are required to assess the current situation of a business of their choice and to consider the future strategy of the business. They will be expected to explore this future strategy and, in particular, to examine:

- ◆ how it relates to the current situation of the business
- ◆ its resource requirements
- ◆ its implications for the various activities of the business
- ◆ how it will help the business to achieve its future expectations
- ◆ the strengths and weaknesses of the information used to develop the strategy.

Candidates will be required to produce a report on the above and present it in a suitable report format. The report, excluding any appendices, should be between 2,500 and 3,500 words in length. The report will be externally marked. Centres will be informed by SQA of the date by which reports must be received.

Outline of the Business Report

The Business Report has two main components, each of which is worth 25 marks:

1. Explanation and analysis of the future strategy of a business
2. Evaluation of this future strategy

The **explanation and analysis** should set out what the business expects to do in the future. It should cover the following:

- a. An explanation of what the business intends to do for a forthcoming specified time period
- b. An explanation of how the strategy fits in with the objectives of the business
- c. An analysis of how this intended future strategy relates to the current strengths, weaknesses, opportunities and threats faced by the business
- d. An analysis of the resources required for the intended future strategy

The **evaluation** of the future strategy should make an assessment of the future strategy and should cover the following:

- a. An analysis of the implications of the strategy for the current resources of the business
- b. The strengths and weaknesses of the information used by the business to decide on its future strategy
- c. An assessment of the extent to which the future strategy meets the expectations of key stakeholders in the business
- d. Overall evaluation of the extent to which the strategy is likely to be successful

The Business Report should build on the report presented by candidates for the Unit, Researching a Business (Advanced Higher). Candidates will need to make use of information gathered for this Unit for their Business Report. It is not necessary to repeat information from the Unit in the Business Report.

The report for Researching a Business (Advanced Higher) should be internally assessed as normal and submitted to SQA along with the Business Report. It will not be moderated or re-assessed as part of the marking of the Business Report. It will, however, be used by markers to assist in the marking of the Business Report.

Explanation of terms used in the Business Report

Future strategy refers to the intentions of the business. It represents what the business intends to do over a specified period of time in the future. Candidates are likely to encounter three main possibilities:

- ◆ the business intends to continue to do what it is currently doing with no significant changes
- ◆ the business has identified changes that it wishes to make – these could be part of an on-going process or be something entirely new
- ◆ the candidate is able to propose changes that the business should consider.

Candidates should consider the possibility which is most suitable for the business that they have chosen. Candidates who select the first option will not be disadvantaged in any way.

Specified period of time should be determined by the candidate and stated in the Business Report. The appropriate time period will reflect the situation of the business that the candidate has chosen to research. It is probable that the next 12 months will be suitable in most cases and candidates who are unsure could choose this time period. There are circumstances where other time periods may fit better. For example, a candidate may have chosen a business with a finite life span (which ends within a 12 month period) or picked a business which is in the process of carrying out a strategy intended to take 2 or 3 years.

Business refers to the organisation which the candidate researches. It can be any organisation which operates in a business related environment. It does not have to be a commercial operation and could be a not for profit organisation such a charity or publicly funded body. It could be a branch of a larger organisation or a business in its own right. It could be an organisation which is about to start up in business but which has not yet done so. It could be large or small, although candidates are likely to find it easier to base their Business Report on a small organisation or a small part of a larger one.

Objectives of the business refer to the broad aims of the business i.e. the main purpose it has and why it exists. These may not be explicitly stated and may not be available in a written form. Candidates may have to write them up for themselves based on information gathered from those who run the business.

Marking the Business Report

A marking grid for the Business Report is given in Appendix A. It indicates the allocation of marks for the various aspects of the Business Report. It will assist the external marking process if candidates set out their Business Report in sections which correspond to the headings in the marking grid.

An explanation of each heading in the marking grid is given in the marking guidelines in Appendix B. These are not intended as fully comprehensive and are a guide to the factors which markers will consider when awarding marks.

Appendix A: Marking Grid

| | Marks Available | Marks Awarded |
|--|------------------------|----------------------|
| Explanation and Analysis | | |
| a. Explanation of what the business intends to do for a forthcoming specified time period | 6 | |
| b. Explanation of how the strategy fits in with the objectives of the business | 5 | |
| c. Analysis of how this intended future strategy relates to the current strengths, weaknesses, opportunities and threats faced by the business | 8 | |
| d. Analysis of the resources required for the intended future strategy | 6 | |
| Evaluation | | |
| a. Analysis of the implications of the strategy for the current marketing, operational and human resources of the business | 6 | |
| b. Strengths and weaknesses of the information used by the business to decide on its future strategy | 8 | |
| c. Assessment of the extent to which the future strategy meets the expectations of key stakeholders in the business | 6 | |
| d. Overall evaluation of the extent to which the strategy is likely to be successful | 5 | |
| TOTAL MARKS | 50 | |

Appendix B: Marking Guidelines

The following gives guidance on how marks will be allocated in each of the categories in the marking grid.

Explanation and analysis

- a. An explanation of what the business intends to do for a forthcoming specified time period - 6 marks

Responses should set out clearly what the strategy of the business is for a time period which should also be explicitly stated. They should be closely linked to the information gathered as part of Researching a Business. This is a scene setting section and the emphasis is on explanation.

Award one mark for:

- A description of the strategy.
- Each reasoned explanation of why an element of the strategy is appropriate for the business.
- Each reasoned explanation of the time scale required for an element of the strategy.
- Max 4 if the strategy is not logically explained eg has not been shown to fit together; contains contradictions.

- b. An explanation of how the strategy fits in with the objectives of the business – 5 marks

Responses should refer explicitly to the objectives of the business and should demonstrate a clear connection with the previous section and be consistent with information gathered as part of Researching a Business.

Award one mark for:

- Each reasoned evaluation of how an element of the strategy will help to achieve a particular objective described in the Researching a Business NAB and/or supported by information in the appendices.
- Each explanation of why a particular objective may not be met (or may be met less directly than others) by the strategy (max 2).
- NB no marks for objectives linked to strategies not discussed in (a).

- c. An analysis of how this intended future strategy relates to the current strengths, weaknesses, opportunities and threats faced by the business – 8 marks

Responses should cover each of the current strengths, weaknesses, opportunities and threats, although the weighting attached to each is likely to vary depending on the actual business situation involved. They should be closely linked to the information gathered as part of Researching a Business.

Award one mark

- Each justified connection made between an element of the strategy and an element of the SWOT (max 3 per SWOT item).
- Each explanation of an aspect of the SWOT not addressed by the strategy (max 2).
- NB The SWOT must be based on the situation of the organisation prior to the implementation of the strategy – no marks for strengths and weaknesses of the strategy.

d. An analysis of the resources required for the intended future strategy – 6 marks

Responses should explain clearly all resources that the business may require for the strategy. This will depend on the strategy and where a business intends to continue without any changes candidates should demonstrate that the available resources will allow this to happen. Responses should be supported by evidence which could be apparent from information gathered as part of Researching a Business or included in the appendices.

Award one mark for:

- Each explanation of why a particular resource is needed.
- Each justified explanation of a step the organisation has to take to acquire the resources.
- Each justified explanation of why the organisation may have difficulty in obtaining or using the specified resources.
- NB points must be related specifically to the organisation researched.

Evaluation

a. An analysis of the implications of the strategy for the current functional areas of the business – 6 marks

Responses should cover different functional areas and indicate precisely how they will be affected by the strategy. Responses should highlight key areas of the business which could be Marketing, Operations, Finance or Human resources but could cover other functions such as R & D and Administration if these are important for the strategy.

Award one mark for:

- Each reasoned explanation of a change in a functional area (eg Marketing, Operations, Human Resources, Finance, R & D or Administration) that will be needed for the strategy (max 2 per functional area)
- Each reasoned explanation of why a particular functional area may not be affected (max 2 per functional area).

b. The strengths and weaknesses of the information used by the business to decide on its future strategy – 8 marks.

Responses should cover both strengths and weaknesses but may refer to either or both of sources of data and methods of data collection.

Award one mark for:

- Each justified comment about the likely accuracy of specified pieces of information or sources.
- Each evaluation of the relevance of a particular piece of information to devising the strategy
- Each evaluative comment about the cost of obtaining specific information relative to its usefulness
- A justified conclusion about the comprehensiveness of the information.
- Each explanation of why necessary information was impossible/difficult to access (max 2)
- NB Marks should be awarded only when the justification or evaluation is related to information to support the strategy as evidenced in the appendices.

- c. An assessment of the extent to which the future strategy meets the expectations of key stakeholders in the business – 6 marks

Responses should concentrate on the key stakeholders identified in the report for Researching a Business (Advanced Higher). It is likely that three or fewer stakeholders will be sufficient.

Award one mark for:

- Each explanation of how the strategy meets the expectations of a stakeholder discussed in the Researching a Business NAB (no marks for discussion of other stakeholders unless supported by evidence in the appendices).
- Each explanation of how the strategy is likely to affect a particular stakeholder positively or negatively.

- d. The overall extent to which the strategy is likely to be successful – 5 marks

Responses should provide some conclusions about the extent to which the future strategy is likely to prove successful and should provide some justification for these conclusions.

Award one mark for:

- Each conclusion about the likely success of the strategy, justified by evidence in the Report.
- Each explanation of a method of measuring the success of the strategy (max 2).

Word Count

Check the word count and deduct 5 marks for reports over 3,850 words (not including appendices) and 10 marks for reports over 4,500 words.

C010/SQP294

Business
Management
Advanced Higher
Specimen Question Paper
for use in and after 2007

Time: 2 hours 45 mins

NATIONAL
QUALIFICATIONS

Candidates should attempt **all** questions in Section **One** and **two** questions from Section **Two**.

Read all the questions carefully.

100 marks are allocated to this paper.

50 marks for Section **One** and

50 marks for Section **Two**.

Answers are to be written in the answer book provided.

STAGECOACH plc

Background Information

Stagecoach plc is a bus and train operator based in Perth. It began in 1980 when brother and sister, Brian Soutar and Ann Gloag, operated two buses. It became a public company in 1993 and is now the second biggest bus operator in the UK with about 16% of the market. It also operates bus services in New Zealand and North America. The privatisation of rail services in 1996 gave Stagecoach the opportunity to operate train services and it was one of the first private sector companies to be awarded a rail operating franchise. It now has 25% of the UK rail market.

Between them Brian Soutar and Ann Gloag own just over 26% of the shares in the company. Brian Soutar is the Chief Executive, while Ann Gloag is a non-executive director.

Exhibit 1 gives details of the company's main activities.

Stagecoach: 1980–1999

During the 1980s Stagecoach was able to take advantage of government policy to privatise bus operations that were previously run by publicly funded organisations. It extended its bus operations throughout the UK mostly by the acquisition of other companies. It developed a reputation for buying loss making companies and then making them profitable through its management capabilities and its ability to attract new customers.

Stagecoach expanded rapidly in the 1990s. The main reasons for this were:

- Other countries were also privatising transport, giving opportunities to private operators like Stagecoach to take over services from publicly owned enterprises
- Stagecoach had a track record of success in the UK
- Stagecoach had always promoted integrated transport systems such as rail-bus links and saw itself as a transport company and not just as a bus company.

At that time its mission statement was to create a “global transport business focused on innovation and quality, which benefits both our customers and employees”. It also felt that opportunities for further expansion within the UK were limited, especially in the bus market.

Stagecoach acquired bus companies in other countries, including Sweden, Portugal, Hong Kong and New Zealand. It developed its transport business in a number of ways, including the acquisition of Glasgow Prestwick Airport, a ferry company in New Zealand and a 35% share in Road King, a company which operated a toll road in Hong Kong. In 1999 Stagecoach paid £1.2 billion for Coach USA, a company operating in the United States and Canada. It was the largest provider of coach charter, tour and sightseeing services in the USA and was also that country's second biggest bus operator, although with only a 2% share of the market.

Stagecoach: 2000–2005

The acquisition of Coach USA did not work out as intended. Revenues were lower than expected and costs were higher. In 2001 Stagecoach was forced to reduce the asset value of the American company by £376m. In 2002 Stagecoach made a loss of £500m. Brian Soutar, who had relinquished day to day executive control and become Chairman of the Company, resumed as Chief Executive at the end of 2002.

He conducted a review of Coach USA. Prior to becoming part of Stagecoach, it had also been buying companies but, with hindsight, it proved to be a collection of businesses with no coherent framework. Its situation was not helped by poor market conditions for tourism and business travel following the attacks of September 11, 2002. Coach USA has been restructured and over two-thirds of its assets have been sold. It now consists of three divisions—North East and North Central regions in the USA, and Canada—all of which concentrate on bus operations with which Stagecoach is familiar.

Stagecoach has sold most of its other overseas bus operations, except those in New Zealand. Some, such as those in Africa, were sold before it bought Coach USA. It has also disposed of many of its other subsidiary companies.

Exhibit 2 gives some more information on Stagecoach's acquisitions and disposals.

A New Mission

Stagecoach's mission statement is now to "bring people and new ideas together to deliver dedicated transport solutions". It has a more restricted range of operations but continues its long term objective of introducing new methods to encourage new passengers. For example, it pioneered the use of integrated tickets in the UK, where customers could buy a single ticket for combined journeys by different forms of transport such as bus and rail. Many of its developments are linked to the proposition that more bus passengers mean reduced car travel, which in turn leads to reduced environmental pollution.

Megabus

Megabus.com is a no-frills inter-city bus service, using distinctive blue and yellow buses, launched by Stagecoach in 2003. It is based on ideas used by low cost airlines and specifically targets students and young people. Tickets are sold over the internet and fares start at £1 with at least 40% of tickets sold at this low price. The first route between Oxford and London moved into profit in early 2004 and over 20 routes are available. "No-frills" means that the buses originally had no toilets, but Stagecoach has plans to add on-board toilets and use a luggage trailer. A passenger survey showed that 35% of customers had switched from the train while 26% used the service instead of their car. During February 2004 Stagecoach ran a marketing campaign which offered 50,000 free journeys on Megabus.com.

Kickstart

The Kickstart concept began in New Zealand and involves providing funds to support the introduction of new bus services in particular areas. In October 2000 Stagecoach invested £300,000 in a pilot project in Perth for a single bus route. Stagecoach introduced new low floor buses for easier access, doubled the frequency of services and made fares simpler. The local council developed a bus priority scheme on the route and provided new bus shelters.

The changes were supported by a telemarketing campaign, the first by a bus company in Scotland. It involved researching the travel choices of prospective customers and their satisfaction with bus services. As a result, the campaign specifically targeted commuters and mothers as those most likely to make use of bus services. It stressed the green option of the bus and offered a week's free travel. Passenger numbers on the route have risen by 80%, and many are former car users.

The Scottish Executive has taken up the idea and in March 2005 announced that £22.5 million over 3 years would be spent to kick start bus services across Scotland. One of the schemes to receive backing will be another bus route in Perth, where Stagecoach will again work in partnership with the local council.

Employee relations

Stagecoach aims to ensure that its employees can provide the services that its customers need. Its commitment is to building a workforce that is proud to be part of Stagecoach. Some of its activities are:

- On-going training and development, including a graduate development programme for future managers and a new driver training programme delivered to national standards
- “Recruit for Attitude, Train for Skill” strategy at South West Trains which includes vocational training, support for managers and an employee recognition scheme
- Communication with employees through internal publications
- Open Learning Centres which provide self-development opportunities for staff, run in partnership with the trade unions.

Exhibit 3 gives some further examples of developments initiated by Stagecoach. Exhibit 4 gives some financial and other information on the company.

[The above information is taken from the Stagecoach Group plc Annual Reports 2000–2004. Additional material came from the company's websites at www.stagecoachgroup.com, www.megabus.com, www.supertram.com, and www.stagecoachbus.com.]

N.B. The above, and the accompanying exhibits, are current at 30 April 2005 and refer to the situation at that date.

Exhibit 1

Operations of Stagecoach

Stagecoach has four main areas of operation.

| | Annual passengers | Vehicles | Employees |
|--|-------------------|--------------------------|-------------|
| UK Bus [covers the whole of the UK and includes an intercity service, megabus.com and services in London operated on behalf of Transport for London (Tfl)] | 760 million | 7200 buses | 18 000 |
| UK Rail South West Trains [largest in the UK – services between London and SW England] | 143 million | 1400 trains | 5200 |
| Island Line [smallest in UK – services on the Isle of Wight] | 1.1 million | 12 trains | 40 |
| Sheffield Supertram [operates the tram service in Sheffield] | 12 million | 25 trams | 255 |
| <i>Stagecoach also has a 49% stake in Virgin Trains – figures refer to Virgin Trains</i> | <i>33 million</i> | <i>829 trains</i> | <i>4700</i> |
| North America [Bus services in three specific geographical areas – North East and North Central USA and Canada] | No data available | 2800 buses | 4400 |
| New Zealand [Bus and ferry services centred on Auckland and Wellington] | 60 million | 1000 buses 10 ferries | 1900 |

Exhibit 2

Acquisitions and Disposals by Stagecoach

Bus Operations

Stagecoach Portugal—bought in 1995 for £6.3m and sold in 2001 for £14m

Swebus—Sweden's largest bus company was bought in 1996 and sold in 1999 for about £120m, about half the price paid for it.

Citybus—a company operating buses in Hong Kong which was bought in 1998 and sold in 2004 for £176m.

Stagecoach also bought and sold bus companies in Finland, Kenya, Malawi, Australia and China.

Its acquisition in New Zealand is still part of the company.

Other Transport Operations

Glasgow Prestwick Airport—purchased in 1998 for £41m and sold for £33m in 2001. As a result, Stagecoach's Aviation division disappeared.

Porterbrook, a train leasing company, was sold in 2000. It meant the end of Stagecoach's Rolling Stock division, which consisted solely of this company.

Road King, the Hong Kong toll road company, was sold in 2004. During the same year, Stagecoach sold its 49% share in **Trainline**, an on-line booking service for trains in the UK.

Fuller's Ferries, a New Zealand company operating ferry services between Auckland and outlying islands, was purchased in 1998. It remains part of Stagecoach's New Zealand operations.

Exhibit 3

Some Examples of Other Developments by Stagecoach

Research and marketing (particularly telemarketing)—Stagecoach has pioneered the use of customer research, which it uses to target customers most likely to switch to buses from cars and other transport.

Use of branding—Stagecoach has developed a “citi” brand for its network of routes in Cambridge, where it has also successfully undertaken a telemarketing campaign.

Bus corridors—Stagecoach is working with several local councils (eg in Tyne and Wear) to develop dedicated bus corridors which will speed up travel by bus.

New bus technology—Stagecoach is working with Siemens to adapt Siemens’ optical guidance system to UK buses. The system uses a camera mounted on the steering wheel to read special road markings. It is environmentally friendly because buses can be driven more accurately, which means they use less fuel.

Fuel additives—in 2004 Stagecoach introduced a new fuel additive for its buses which reduces fuel consumption and fuel emissions by more than 5%.

“Yellow Taxibus”—introduced in Dunfermline in 2003, this is a brand new service for Scotland. It combines a fixed bus route with a taxi service. Customers phone up to arrange a pick up point on the route and are picked up by the taxi, usually within 10 minutes. The service links with the Ferrytoll Park and Ride service at the Forth Road Bridge so that customers can travel between Dunfermline and Edinburgh.

Integrated tickets—customers can buy combined ferry and bus tickets for travel around Auckland, New Zealand, and combined bus and tram tickets when travelling on the Sheffield Supertram.

Exhibit 4

Selected Financial and Other Data: 2000 – 2004

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|--------|---------|--------|---------|--------|
| Group turnover (£million) | 1502.0 | 1798.7 | 1847.7 | 1849.3 | 1923.5 |
| Pre-tax profit (loss) (£million) | 95.8 | (500.2) | 42.0 | (335.2) | 140.9 |
| Fixed assets (£million) | 831.7 | 1259.8 | 1981.0 | 2047.3 | 2280.6 |
| Creditors falling due after more than one year (£million) | 292.2 | 640.7 | 808.1 | 816.8 | 1039.4 |
| Dividend per ordinary share (pence) | 2.9 | 2.6 | 2.6 | 3.8 | 3.6 |

During the early months of 2005, Stagecoach announced orders for over 500 new state of the art low floor buses costing more than £55 million. This was the second financial year in succession it had bought over 500 new buses, each of which costs over £100,000. The bulk of the 2005 order will be made in Scotland at the Alexander Dennis factory in Falkirk. In previous years, it bought about 400 new buses a year.

In 2004 it was involved in two of the biggest train orders in the UK. One was a £1 billion investment in modern Desiro trains for South West Trains. The other was for high speed Voyager and tilting Pendolino trains for Virgin Rail.

The above initiatives continue a trend of investment which has characterised Stagecoach since its beginning.

Stagecoach's share price has risen by 200% since Brian Soutar returned as Chief Executive.

[END OF SPECIMEN CASE STUDY]

QUESTIONS

Read the case study material on Stagecoach plc on pages 2– 8.

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

SECTION ONE

Answer ALL of questions 1–6

- | | |
|--|-------------|
| 1. Analyse the factors that may have contributed to the success of Stagecoach in the period 1980–1999. | 6 |
| 2. (a) Explain possible reasons for the change in Stagecoach’s mission statement. | 5 |
| (b) Discuss ways in which Stagecoach’s recent activities may contribute to the achievement of its new mission. | 7 |
| 3. Stagecoach chose to expand its operations abroad by purchasing existing companies. Assess the benefits and costs to Stagecoach of this method of Foreign Direct Investment. | 8 |
| 4. Stagecoach decided to restructure Coach USA. Analyse the driving and restraining forces affecting this decision. Illustrate your answer with a diagram. | 10 |
| 5. In recent years Stagecoach has launched two new services: Megabus.com and Kickstart. | |
| Discuss how knowledge of the concept of market segmentation may have assisted Stagecoach to develop an appropriate marketing mix for each of these services. | 8 |
| 6. Analyse ways in which the employee relations activities of Stagecoach may help to motivate staff. | 6 |
| | (50) |

SECTION TWO

Answer any TWO of the following questions.

Each question is worth 25 marks.

In this section you may illustrate your answers with reference to Stagecoach plc or to other firms with which you are familiar.

- | | | |
|---------|--|------|
| 7. (a) | Choose two writers on motivation and discuss the relevance of their theories to the practice of management in UK firms. | 12 |
| (b) | Analyse the effects a policy of social responsibility might have on the profits of private sector organisations in the UK. | 13 |
| | | (25) |
| 8. (a) | Discuss the factors which have led to the growth of globalisation in recent years. | 11 |
| (b) | Explain the main ideas of the Systems and the Contingency Schools of Management and their relevance to modern management practice. | 14 |
| | | (25) |
| 9. (a) | Discuss with examples ways in which government policies might constrain the activities of an organisation. | 12 |
| (b) | Analyse the benefits to an organisation of organising workers in autonomous teams. | 13 |
| | | (25) |
| 10. (a) | Analyse the likely effects of the enlargement of the European Union on the profitability of UK firms. | 13 |
| (b) | Using examples, evaluate the effectiveness of methods which UK organisations can use to encourage employees to accept change. | 12 |
| | | (25) |

[END OF SPECIMEN QUESTIONS]

C010/SQP294

Business
Management
Advanced Higher
Specimen Marking Instructions
for use in and after 2007

NATIONAL
QUALIFICATIONS

STAGECOACH plc

Marking Instructions/Suggested Solutions

N.B. Credit should be given for any relevant and accurate point or example.

Marks may not be carried over from one section to another.

SECTION ONE

Question 1 – Factors contributing to the success of Stagecoach from 1980–1999—6 marks

Award one mark per main point and one for each development. To score full marks at least 2 main points should be discussed.

N.B. Candidates must explain **why** a factor has contributed to success; award a maximum of 2 marks for merely listing factors.

Factors could include the following:

- Superior management and marketing capabilities—these enabled Stagecoach to build rail-bus links and promote integrated transport links; to take advantage of the privatisation of bus services to introduce its own bus services in areas that were previously publicly run; to take over newly privatised operations in other countries; to extend its bus service operations over the whole of the UK by buying up other companies, many of which were loss making, and making them profitable
- Expanding markets—these enabled Stagecoach to diversify—eg into the rail services market—it was one of the first companies to take advantage of the privatisation of rail services in 1986 and be awarded a rail operating franchise—this may have given Stagecoach first mover advantage; it acquired a foothold in other transport markets by purchasing Prestwick Airport, a ferry company in New Zealand and a toll road company in Hong Kong, which spread risks and may have helped Stagecoach to expand beyond a fairly saturated bus market
- Opportunities to expand bus operations abroad leading to international expansion—eg horizontal integration, involving acquiring bus companies in Sweden, Portugal, Hong Kong and New Zealand, and Coach USA, which was the second biggest operator in the USA
- Flotation—Stagecoach became a public limited company in 1993, which will have given it access to much greater capital with which to expand its operations at home and abroad.

Question 2(a)—Possible reasons for the change in Stagecoach’s mission statement—5 marks

Award one mark per main point and one for each development. To score full marks candidates should cover a minimum of 2 main points.

- The original mission statement stressed the global nature of the business. Since then Stagecoach has greatly reduced the scale of its international operations; the losses made by Coach USA and the difficulties caused by the aftermath of September 11 led it drastically to reduce the size of that business and sell off several of its other subsidiaries.
- Both mission statements focus on innovation but do so in different ways. The later mission statement concentrates on bus operations with which Stagecoach is familiar.
- The original mission was developed in light of the belief that opportunities for further expansion in the UK were limited, especially in the bus market. The nature of the bus market has changed because of concerns such as road congestion and environmental effects. Now Stagecoach has a more restricted range of operations and aims to attract more people to use buses than cars, leading to reduced environmental pollution; this fits in with its new mission insofar as reducing pollution is seen as one of the “dedicated transport solutions”.

Question 2 (b)—Ways in which Stagecoach's recent activities may contribute to the achievement of its new mission—7 marks

Award one mark per main point and one for each development. To be awarded full marks candidates should cover at least 2 main points.

N.B. Much of the information required to answer this question is contained in Exhibits 2, 3 and 4.

- Stagecoach's new mission is to bring people and new ideas together to deliver dedicated transport solutions, which means it has a more restricted range of operations but retains the objective of introducing new methods to encourage new passengers—one mark max for description of mission.
- Selling its bus companies in Portugal, Sweden, Hong Kong and other countries fits in with Stagecoach's desire to restrict the range of its operations in terms of geographical distribution of its operations: it means it can now concentrate on the UK and New Zealand.
- Stagecoach's divestment of Prestwick Airport enabling it to close its Aviation Division, and of Porterbrook enabling it to close its Rolling Stock division, helped it to achieve its goal of restricting its range of operations in terms of services: it now concentrates on developing passenger road and rail transport.
- Stagecoach's marketing strategy is now tailored to its new mission—eg its pioneering of customer research can help it to find out what new methods appeal to customers; its use of telemarketing (eg in Cambridge), and introduction of new services such as Yellow Taxibus and integrated ticket systems all fit in with the objective of introducing new methods to encourage new passengers.
- Significant investment in new buses (£55 million in 2005) and trains (more than £1 billion in 2004) is part of focusing on what Stagecoach knows best.

Question 3—Benefits and costs to Stagecoach of expanding abroad by purchasing existing companies—8 marks

Award one mark per main point and one for each development. Award a maximum of 4 marks for general points not specifically related to Stagecoach, and a maximum of 5 marks if only benefits or only costs are addressed.

- Purchasing already existing bus companies in Sweden, Portugal, Hong Kong and New Zealand meant that Stagecoach could begin operations immediately without having to acquire new buses, build depots etc from scratch; could tap into the market of existing customers; could use the expertise and local knowledge of indigenous staff; could benefit from reputations already established—eg Stagecoach gained an immediate 2% share of the US bus market when it took over Coach USA, which was the largest provider of coach charter, tour and sightseeing services in the USA.
- However Stagecoach could be disadvantaged if the firms bought were previously struggling to maintain custom and reputation; it may take a long time to build up confidence again, especially if Stagecoach is seen as operating the same organisation under a different name; rebranding and updating buses, systems etc may be costly; Stagecoach already has enormous experience in the bus market and as one of the market leaders in the UK is well placed to develop its own superior facilities from scratch; the Coach USA venture was unsuccessful partly because Stagecoach had not been fully familiar with its operations when it took it over—eg it was only with hindsight that Stagecoach realised Coach USA's portfolio of companies had no coherent framework.
- Diversifying into other areas of transport via acquisitions such as Prestwick Airport and the ferry company in New Zealand meant that Stagecoach quickly got a foothold in new markets with which it was unfamiliar (although the subsequent sale of Prestwick Airport may indicate that this was not a great advantage to Stagecoach); it could build on the experience the firms taken over had built up.

Question 4—FFA for decision to restructure Coach USA—10 marks

Award one mark per point and one for each development. Up to 4 marks for a diagram showing drivers, resistors, assets for change and arrows of differing lengths. To score full marks at least 2 drivers and 2 resistors should be discussed.

Drivers

- The failure of Coach USA to meet expectations—lower revenues and higher costs than expected; fall in value of the company by £376m; loss of £500 million in 2002
- The lack of a coherent framework for Coach USA's collection of businesses (but this may be seen as a resistor—see below)
- The attacks of September 11 leading to poor market conditions for tourism and business travel
- The return of Brian Soutar to the position of Chief Executive and his decision to review Coach USA
- The change in the mission statement (or existing mission statement seen as resistor—see below; not both)
- The need to reduce the amount of creditors (see Exhibit 4)

Resistors

- Knowing where to start—Coach USA was market leader in coach charter, tour and sightseeing services and these were the areas abandoned in the restructuring. It was a huge operator—the second biggest in the US with a 2% market share—but lacked a coherent framework, so Stagecoach may not have known where to begin.
- The loss of customers in a potentially lucrative market—drastically reducing its size and restricting its operations to buses alone meant restricting access to customers in the American market; it did not fit in with the company's existing mission statement, which aimed to create a “global transport business”; the mission statement therefore had to be changed.
- The loss of a huge investment—Stagecoach had invested £1.2 billion in Coach USA.

Assets for Change

- Strong Business Base in the UK; great expertise in bus operations gathered over 20 years; Brian Soutar (if not mentioned as a driver)

Question 5—Relationship between marketing mix and market segmentation in Megabus.com and Kickstart—8 marks

Award one mark per main point and one for each development. To be awarded full marks candidates should cover at least 2 main points.

- Market segmentation involves splitting up a market into groups of customers with common characteristics, whereas the marketing mix consists of product, price, place, and promotion (maximum of one mark for each definition). A well-structured answer would link market segmentation to Stagecoach's activities with respect to specific aspects of the marketing mix.
- Megabus.com's market was students and young people. Identifying this segment enabled it to: design the product to appeal to a younger market—ie no frills, initially no toilets and no luggage trailers; focus its distribution and promotional methods solely on this segment—eg by using the Internet to offer tickets and promotions such as free journeys; use a low price strategy to appeal to this segment—eg selling 40% of tickets at very low prices—likely to appeal to students on a low income.
- Kickstart targeted commuters and mothers. Product issues included the introduction of low floor buses and new shelters to help mothers with children and pushchairs to board and to wait in comfort; doubling the frequency of services to suit commuters. Promotion by means of telemarketing would enable Kickstart to speak to mothers at home with young children; promotions offering a week's free travel would be likely to attract stay at home mothers with no access to a car during the day and to offer a significant saving to commuters forced to use public transport on a daily basis.

Question 6—Effectiveness of ways in which Stagecoach motivates staff—6 marks

Award one mark per main point and one for each development. To score full marks candidates should cover at least 3 main points.

- Training—the new driver programme increases employees' personal safety (Maslow's security needs), makes them more effective road users and increases self esteem; similarly the on-going training and development programme enables all staff to keep their skills up to date and increase their confidence.
- Development—the fact that the Open Learning Centre is run in partnership with the trade unions means that worker representatives participate in deciding what self development opportunities should be available to staff; the graduate development programme for future managers will encourage participants to work harder to gain the promotions for which they are being prepared; the knowledge that the firm views them as suitable candidates for promotion may mean they become more loyal to the firm and make a long-term commitment, creating greater continuity, avoiding the costs of a high labour turnover etc.
- The employee recognition scheme will encourage workers to strive to achieve the award; will reinforce to workers that management is interested in and appreciates them (Herzberg's motivators); however it may cause internal competition or may not be taken seriously by employees if there is no tangible reward for being recognised.
- Regular communication with employees through internal publications may motivate if employees have an input, but may have the opposite effect if it is simply a means of disseminating information about decisions already made by management.

SECTION TWO

NB Candidates need not make specific reference to the case study on Stagecoach. Those who do should be given credit for doing so. Relevant references to other organisations and suitable examples should also be credited.

Question 7(a)—Writers on motivation—12 marks

Award one mark for each suitable point, with one mark for each development. Answers should explain the relevance of the writer's work to management in UK firms. As a rough guide, the marks should be equally allocated to each of the writers chosen, but up to 8 marks may be given for either one of them.

Any suitable writer on motivation (eg Taylor, Mayo, Herzberg, Maslow) can be discussed but in each case marks can be given for:

- The main points of the writer's approach (eg Maslow's 5 needs, Herzberg's 2 factors)—up to 4 marks can be given for each explanation
- The relevance of the approach to the practice of management (eg Maslow may provide justification for approaches which empower employees, although self-actualisation is not a clear idea and there may well be many jobs which cannot offer employees the opportunity to develop to their fullest potential; Herzberg provided the justification for ideas like job enrichment and job design although these may be less current than they were in the past—but his ideas do suggest that employees respond to being given greater responsibility and having their contribution recognised; managers need to provide satisfiers, such as greater responsibility, and ensure that hygiene factors are in place.)—up to 4 marks for each writer can be given for the relevance of their work.
- No marks for discussion of McGregor's theories as they are descriptions of managerial attitudes to workers rather than theories of motivation.

Question 7(b)—Social responsibility—13 marks

Award one mark for each suitable point, with one mark for each development (including appropriate examples, which may come from any suitable organisation). A maximum of 4 marks should be given for each separate point. Answers should make a reasoned link between social responsibility and profits—marks for development points should be given where answers do make this link. Answers which discuss social responsibility in general terms should gain a maximum of 6 marks.

Up to 2 marks may be given for an explanation of social responsibility ie taking into account obligations to all a firm's different stakeholders.

The following points may lead to increased profits as a result of a policy of social responsibility.

- Social responsibility (SR) can provide benefits in terms of good publicity and getting a good reputation, as well as avoiding adverse publicity eg from acting socially irresponsibly. Both should help boost sales and profitability (good answers could point out that this does not necessarily follow and the relationship between sales and profits may be more complex). If rival firms are perceived as socially responsible, being socially responsible also may prevent a firm losing sales (and could limit or prevent any adverse effect on sales and profits).
- Also, firms with a good reputation may benefit if things do not work out as expected, as their previous good reputation may be remembered. This may help firms maintain profitability or recover from a setback (eg Perrier's recovery after its admission of responsibility for contaminated bottles in the mid 90s).
- SR can help gain customers (eg if a company is seen to be environmentally conscious) which may in turn bolster sales and profits (but see above).
- SR may enable a firm to gain a niche for itself (eg CWS and green products).
- SR may attract employees whose commitment may lead to higher productivity, new ideas etc, which could translate into lower costs and thus higher profits (or which may lead to new products for which a premium can be charged).
- SR can enable companies to cope with changing legislation eg on environmental standards and safety requirements. This may enable them to avoid sudden additional costs and, in turn, reduce possible variations in profitability.
- SR can be used in advertising (eg to demonstrate commitment to the environment) which, as above, may result in higher sales and higher profits. Better answers may point out that the relationship between advertising/promotion and sales is not clear-cut. Also, if advertising would have taken place anyway, the precise impact of social responsibility on profit may be hard to determine.

However, SR may have adverse effects on profits.

- It can lead to additional costs in terms of equipment and staff resources. These costs may make it difficult for firms to compete, especially if other firms (eg in other countries) do not encounter equivalent costs.
- The return on SR may be difficult, if not impossible, to measure, so any impact cannot be determined—this may make expenditure on SR difficult to justify.
- It can backfire on firms eg Walkers Crisps' attempts to offer educational material in return for vouchers/proof of purchase have been accused of encouraging unhealthy eating, and of being unfair in terms of the volume of purchases required. This could turn good publicity into bad and adversely influence sales and profitability.
- It may lead firms to “take their eye off the ball” and not concentrate on their key business—this may mean that sales and profitability fall.
- Consumers may become cynical of apparent attempts to be socially responsible and so firms do not benefit.

Question 8(a)—Globalisation—11 marks

Award one mark for each suitable point and one for each development. A maximum of 4 marks should be given for each main factor.

Possible reasons may be:

- Technological developments in transport (eg use of large containers in shipping, bulk air freight) have enabled goods to be transported across the world much more readily
- ICT developments (eg Internet) which have several aspects, such as improved co-ordination between companies and customers and within companies; immediate communication; development of e-commerce—all of which can lead to lower costs
- Free trade, which has made it easier for goods to be traded between countries (a process stimulated by changes in Eastern Europe and China as well as the growth and development of trading blocs such as the EU); free trade can also, according to economic theory, lead to increases in the standard of living—both of these points may encourage companies to trade as this may increase their sales and their profits (which could also be improved if they can benefit from lower costs by using cheaper sources of production)
- The development of global media, which has changed demand patterns and made them less variable between countries—this is linked to technological developments also
- Greater ease of travel—low cost jet travel makes it easier for people to move between countries, which may reinforce some of factors above eg changed demand patterns; co-ordination of companies as executives can easily move around the world
- The growth in size and importance of multinationals, helping to make the world a single marketplace, where the same products are available everywhere.

Question 8(b)—Systems and Contingency Schools of Management—14 marks

Award one mark for each suitable point, with one mark for each development. A maximum of 3 marks should be given for each separate reason. As a rough guide, the marks should be equally allocated to the systems school and the contingency school, but up to 8 marks may be given for either one of them. Award a maximum of 9 marks if there is no reference to modern management practice.

For each school a discussion could be given which defines the term (maximum one mark), explains the issues relating to it and points out the legacy of it to the current situation.

Systems approach

- This approach to management looks at the organisation as a whole and sees it as part of its wider environment, which both affects and is affected by the organisation.
- It is based on a transformational model of inputs—transformation process—outputs.
- It argues that all parts and processes of an organisation are inter-connected, so that change in one part leads to changes in other parts.
- It seeks a best fit between technical, social and economic factors.
- It is relevant to modern management because it helps managers to see the organisation as a whole—individual parts (subsystems) cannot be considered in isolation and any managerial intervention will have consequences elsewhere in the organisation.
- It encourages a customer focus in managers because it emphasises the link between the organisation and its environment.
- It has become more relevant in recent years because of increased change in the external environment and the trend toward globalisation.

Contingency approach

- This theory says that there is no single approach to management which will suit all organisations all of the time.
- It aims to get the best fit between task, people and the organisational environment by stressing the strengths and weaknesses of organisation, its objectives and its external environment.
- It is relevant to management because it suggests that no one approach will always work, so that management should be flexible and decide what is best in any set of circumstances.
- It can help companies respond to change as it promotes flexibility and may lead to methods which have become out of date being replaced—in a rapidly changing global environment, this may be important.
- It can help managers adjust to changes in social and economic circumstances eg making changes to accommodate part-time working.

Question 9(a)—Government decisions—12 marks

Award one mark for each suitable point and one for each development, up to a maximum of 4 for each main point. To score full marks at least 4 separate areas should be considered. No marks for description—credit only points which demonstrate the way in which a specified government decision may constrain the activities of firms. Examples should be credited but only when they develop the basic point.

- Monetary policy—eg a rise in interest rates can make firms delay expansion plans.
- Fiscal policy—eg changes in taxes can affect disposable income and purchasing power and thus demand for products.
- Legislation—eg laws on employment, discrimination, consumer protection, health and safety—some of which may come through the EU. These may require that a firm adopt particular production techniques (eg in food and hygiene industries or in electronics). This may lead to increased costs (eg in acquiring suitable equipment, management time in organising operations, greater paperwork), reduced flexibility (eg working time directive), and this may have knock-on effects on sales, profitability and the ability to compete (especially with firms in countries where different regulations—or no regulations at all—may apply).

[NB This is a big issue which could be presented as several different points. Where this is the case, the points should be treated as separate and marked accordingly. Answers which repeat the same points for different legislative/regulatory examples should not be treated as making different points.]

- Government agencies such as the Competition Commission and the Office of Fair Trading may prevent firms expanding by integration if the resulting organisation is likely to control 25% of the market. They may also investigate dominant firms, which may lead to adverse publicity, as well as involving management in time-consuming responses.
- General government policy could constrain firms eg healthy eating campaigns may affect some food and soft drinks companies; quality accreditation initiatives may require that time be spent on paperwork; enlargement of the EU may lead to increased competition.

[It may be possible for some firms to avoid constraints eg MNCs may be able to pursue policies which limit the amount of tax they pay in any one country. Answers which point this out and give a valid reason can be given credit.]

Question 9(b)—Autonomous teams—13 marks

Award one mark for each suitable point, with one mark for each development. Up to 4 marks may be given for each separate point.

Up to 3 marks may be given for an explanation of autonomous teams: ie teams which:

- decide for themselves how and when to work—they set their own direction
- take responsibility for using resources given to them
- may have a team leader to facilitate decision making, liaise with other teams, negotiate for resources, resolve differences and so on, or may share leadership among the group.

Benefits to organisations from self-directed teams may include:

- Greater output—self directed teams can achieve this in several ways eg they decide how they will undertake the work they have to do and are likely to choose ways which suit them best; team members can suggest and develop new ways of working; team members are closest to the work and may thus be the best people to decide how it should be carried out
- Lower costs—more efficient ways of working may mean that output is produced at a lower cost eg waste may be less; greater productivity may result from the combination of lower costs and greater output; higher profitability may be a consequence of lower costs and greater productivity.
- Greater commitment—this again may result in greater output etc. Employees may be more motivated if they have more responsibility and control (Maslow's self-esteem needs) and may get more job satisfaction (Herzberg suggests that responsibility is a satisfier). Self directed teams may take pride in meeting targets and may compete against each other to be the most effective team
- Improved innovation—self-directed teams can decide how they wish to work and introduce changes for themselves—this could lead to more effective ways of working
- Greater customer focus—self-directed teams may be much more aware of the contribution they make to the organisation's goals; also they may be in close touch with their customers (internal or external) and are in a position to be able to decide what to do to meet the needs of customers. This may lead to greater sales.

Question 10 (a)—Enlargement of EU—13 marks

Award one mark for each suitable point, with one mark for each development (including relevant examples of UK companies which have benefited from EU enlargement). A maximum of 4 marks should be given for each separate point. Answers should make a reasoned link between the enlargement of the EU and profits—marks for development points should be given where answers do make this link. Answers which discuss EU enlargement in general terms should gain a maximum of 4 marks. Award a maximum of 7 marks for discussion of the effects of enlargement on UK firms with no link to profitability.

The points made could include:

- Overall, UK firms face a wider domestic market, which may help firms expand their sales and get the advantages of economies of scale. This could translate into higher profits (assuming that lower costs do not lead to lower prices—perhaps because of greater competition)
- Enlargement should provide export opportunities, as tariff barriers and other restrictions on trade with new members have been reduced—however, standards of living are not always high in some new members so the extent of these new openings may depend on the product/service offered by the company. If these opportunities lead to higher sales, this could result in higher profits—assuming that costs do not also increase (eg there may be additional costs associated with selling goods abroad)
- UK firms may set up production facilities in new member countries—perhaps to take advantage of EU grants, but also because many new EU members have skilled workers, which may assist this process. Wage levels are generally lower than in the UK. All this could lead to lower costs and higher profits—but see point above. For example, R B Farquhar has closed its Aberdeen factory and relocated in the Czech Republic. Over time these lower costs may disappear if living standards rise. Also, there may be additional unforeseen costs of setting up in a new location
- UK firms may face competition from producers within the new member countries—who may have the benefit of lower costs. Firms from new members may expand into the UK as they will now have similar expansion opportunities to those which UK firms have in the new member countries. This could adversely affect the profits of UK firms if they lose sales (eg to lower cost products or owing to greatly increased competition). On the other hand, the competition may be an incentive to UK firms to seek ways to become more efficient and/or develop new services/products—which could lead to greater sales and a rise in profits
- Enlargement may open up sources of recruitment for UK firms which can help them alleviate skills shortages eg First Bus is recruiting bus drivers from Poland. This may help firms to keep costs down—again this may have an impact on profits (eg it may prevent a fall as costs would not go up as they might have done otherwise).

Question 10(b)—Acceptance of change—12 marks

Award one mark for each suitable point and one mark for each development (including appropriate examples). A maximum of 5 marks should be given for each separate method. Up to 3 marks are available for examples of UK firms and up to 3 marks for explicit evaluation of the effectiveness of methods. Answers which make no reference to examples of effectiveness should score a maximum of 6 marks.

Candidates may refer to methods such as the following, some of which overlap with each other.

- Development of a corporate culture which enables employees to be responsive to change. The corporate culture can be seen as the “way we do things around here” and an organisation could develop an adaptive culture which will allow it to cope with things that are new and not let particular practices become entrenched. It could also include a strong mission or vision with which employees can identify.
- Continuous improvement—this involves ongoing improvements (eg *kaizen*) through employee involvement in improvement or suggestion schemes such as that used by Rosti. Employees become used to change and accept it as the norm. This may be part of a culture for change.
- Becoming a “learning organisation”—again this may be part of a culture for change. Learning organisations are ones which take opportunities for learning (eg from past experience; from tackling new problems). Again, change is seen as something which is normal.

All the above may be effective in helping companies deal with ongoing change as everyone becomes accustomed to adapting to day to day changes. Often such changes are small and these methods may be less effective when a significant change is required. Major changes may actually require the development of a new culture—eg Barclay’s Bank used a number of methods to alter its culture when trying to develop a greater customer focus in its staff (a major change).

- Development of regular communication systems eg visits by senior management to discuss issues with staff—a technique which was pursued by J D Wetherspoon. These can keep employees informed so that change does not come as a surprise, as well as giving employees the chance to suggest changes. When a change is proposed all aspects of it can be communicated eg via face-to-face briefings, use of company intranet. This may be effective for all kinds of change since it allows people to express their views. Nevertheless if the change is significant then it may need to be supplemented with other methods which are designed to tackle the specific issues raised by the change eg training people in new technology.
- Use of change agents—they can act as intermediaries, co-ordinate aspects of change and communicate with those affected by it. Internal agents are usually more effective than external ones, as the former are familiar with the organisation.
- Offering education and training—those affected by the change can be fully informed about it and given training to help them cope with the new situation.

Fear of something new is a major reason for resistance to change and both education and training can help people to recognise the benefits of a change and cope with something new. If the training is done well (eg for e-procurement systems such as that operated by the Wood Group) it can be effective in helping employees cope with change.

Both of the above can be used to tackle the effects of a particular change and may be more effective when they are tailored to that change. For example, change agents can try to allay specific fears (eg by arranging meetings or using a “buddy system” as Barclays did).

- Empowerment of workers—this involves giving employees responsibility for solving problems for themselves. This can create an environment which is responsive to change but also gives employees responsibility for working out their own way of tackling something new. This may be more effective for ongoing changes. If an organisation has to make a big change there is a danger that employees could use empowerment to make decisions which enable them to resist change.
- Offering financial or other rewards—people may accept change more readily if they feel they will get something from it. Additional benefits (such as those used by Barclay’s Bank as part of their package of measures) can encourage employees to be adaptable and to make personal changes. Rewards such as these may not be successful on their own because they do not directly tackle fears of not being able to cope with new things or of losing a job. However, they may provide people with an incentive to make changes.

[END OF SPECIMEN MARKING INSTRUCTIONS]