



2013 Business Management

Advanced Higher

Finalised Marking Instructions

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Part One: General Marking Principles for Business Management Advanced Higher

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

GENERAL MARKING ADVICE: Business Management Advanced Higher

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

Part Two: Marking Instructions for each Question

2013 Business Management – Advanced Higher

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

To aid readability the term “STV Group Plc” has been abbreviated to “STV” in these instructions.

SECTION ONE

STV GROUP plc

Background Information

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

Non-core Businesses

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

STV's Strategy

Internet

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

In 2011 STV launched 3 new hyper-local websites in Edinburgh (websites which cover different areas within towns or cities) to add to a growing number across Scotland. The Edinburgh websites give STV 19 hyper-local sites and it plans to cover 75% of Scotland's population through hyper-local sites, ending up with 100 or more of them. Each website is run by a professional journalist working in partnership with representatives of the local community, whether from the local authority, emergency services or arts and sports groups.

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

Television

Other local plans involve launching a new Edinburgh edition of its 30 minute *STV News at Six* programme to add to the current services from Glasgow and Aberdeen. All 3 will continue to carry national and international news, but STV has identified that the most popular part of their news show is when it serves the ultra-local. The STV strategy fits in with the Government's enthusiasm for creating more local television in the UK.

Growth

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

Broadcasting

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

Advertising

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

Digital Media

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

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

Partnerships and Joint Ventures

In 2010 STV entered into a joint venture with US production company, Kinetic Content. The 2 companies work closely together to develop brand-new formats to be pitched to broadcasters both in the UK and the US.

Exhibit 2 gives some examples of partnerships and joint ventures.

Opting out of the Network

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

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

Employee Relations

STV's culture is based on the core principle that everyone in the business can make a difference and everyone has a contribution to make. It achieves this in a number of ways:

- STV holds quarterly staff briefing sessions at which the Chief Executive Officer provides an update on business performance.
- The Group encourages participation in e-learning via the BBC CD-ROM safety course for journalists and production teams.
- An employee opinion survey is undertaken to assess motivation and obtain feedback.
- MYSTV – where employees are assigned goals related to key performance indicators so they can maximise their performance.

Corporate Social Responsibility

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

Exhibit 3 gives information on STV's CSR initiatives.

Exhibit 4 gives information on STV's performance.

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

Exhibit 1: Digital Media

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

Exhibit 2: Partnerships and Joint Ventures

Brightcove

Brightcove is an online video platform. Media companies, businesses and organisations worldwide use Brightcove to publish and distribute video on the Web. A partnership with Brightcove produced the STV equivalent of the BBC's iPlayer in 6 weeks. STV scored 76% in usability stakes, making it the highest scoring commercial player. STV Player was second only to BBC iPlayer, which scored 88%.

MirriAd Ltd

STV took a stake in MirriAd which is a company that can digitally insert products into programmes at the post-production stage. MirriAd is the market leader. This means that brand names and products can be advertised during programmes rather than during breaks. This form of advertising has just become legal in the European Union. It is a fact that people skip TV advertisements whenever possible, and that viewing figures drop off by an average of 25% during breaks. MirriAd is helping STV tap into a rapidly expanding market for product placement worldwide. The market for this in the US has been growing by 25% a year.

Kinetic Content

This joint venture allows the companies to license each other's original formats exclusively in their respective countries. Existing and newly developed formats from STV Productions and Ginger Productions are now available to Kinetic Content to co-produce with STV in the USA. Similarly, STV holds the exclusive UK rights to co-produce formats developed and owned by Kinetic Content. The 2 companies will work closely together to develop brand-new formats to be pitched to broadcasters both in the UK and the US. This deal provided STV with a targeted and cost-effective means of accessing US broadcasters, and opened up the American market to them. Similarly it opened up the UK market to formats developed and owned by Kinetic Content. STV has now secured its first pilot in the US through this venture. For the first time in its 53-year history STV is able to start to provide high quality Scottish content to Scottish people no matter where in the world they live.

Exhibit 3: Corporate Social Responsibility

STV studio tours	Tours of Aberdeen and Glasgow studios for community groups, school pupils and media students.
Work placements	Students across Scotland carry out work experience placements on the <i>Taggart</i> set. Each student can spend one week working with various departments and their second week in an area of their choice eg wardrobe, make-up, post-production, direction or script editing.
STV Appeal	Celebrities and ordinary people undertake various activities to raise funds to tackle poverty. One in 4 children lives in poverty in Scotland.
Common Purpose	STV is working in partnership with Common Purpose which is a youth organisation. This partnership has produced a long-running regular educational course, 'Your Turn', which aims to encourage leadership, raise aspirations and increase confidence among young people.
Prince's Trust's "Get Started in Presenting" programme	This is designed to help young people improve communication skills. As part of this partnership, STV organises 6 visits to their premises across the year. This offers participants an insight into the work behind the scenes, as well as a chance to meet STV newsreaders and learn more about the day-to-day running of a television company.
Green Office Week	STV participates in this. During this event it encourages staff to recycle and conserve energy wherever possible.
Green Travel Plan	Based at STV's Glasgow headquarters, this aims to encourage staff to use more sustainable means of transport to commute to work. To promote cycling, STV provides shower facilities, cycle parking and lockers for employee use.

Exhibit 4

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

Some financial data:

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

Some data on the broadcasting side of the business

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

Some data about the other operations of the group

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

[END OF CASE STUDY]

Question	Expected Answer/s	Max Mark	Additional Guidance
1	<p>Explore STV Group's reasons for pursuing a strategy of becoming more local.</p> <p>Award one mark for each point plus one for each relevant development point. Maximum 3 for general points</p> <ul style="list-style-type: none"> • STV can target different geographical markets with local (people looking for information about the city of Edinburgh) and hyper-local (people looking for information about a specific area within Edinburgh eg Leith) websites. • Users can find information which is very specific to their local area eg local community representatives knowing what is going on in their areas. • STV can provide high quality public service content through its websites eg having professional journalists working with the local community will give a professional feel. • STV stays ahead of the competition as other media groups are reducing their services to the local market. • STV can offer a different service to its users through websites rather than television. • The strategy provides commercial opportunities eg new sources of advertising. • It ensures that STV services are available anywhere in Scotland – the websites cover 75% of Scotland's population. • It means that services are available all the time in Scotland – websites allow access 24/7. • It has a low cost structure – breakeven could be 18 months away. 	8	

Question	Expected Answer/s	Max Mark	Additional Guidance
	<ul style="list-style-type: none"> • STV has found that the most popular parts of television programmes are ultra-local eg local news on STV News at Six. • The strategy ties in with the Government's enthusiasm for more local television – this might help to secure future licences. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
2	<p>Using examples from the Case Study, analyse the importance to STV Group of developing digital media.</p> <p>Award one mark for each point plus one for each development point. Relevant examples may be credited with one mark each, providing it is clear that the candidate is aware of why the example illustrates the point being made. Maximum 3 general marks.</p> <ul style="list-style-type: none"> • STV news app allows access to a different type of audience eg users of mobile phones; provides access to a larger audience eg it had been downloaded 100,000 times; allows users from across the globe to access STV branded content, not just those living in Scotland. • www.stvjobs.com provides a service other than television raising STV's profile and targeting a new market. • STV Player keeps up with competition, allows people to view programmes when they demand not just when scheduled; cheap to produce so does not cost much. • YouTube channel allows access to younger audiences; viewers can watch on the go via mobile phones; increases audience figures – currently has over 2m users per month. • Stv.tv/local ties in with strategy of becoming more local; gives audiences specific news about their local areas. • The digital platform enables STV to provide different services – through Daily Deals, which is not to do with television but gives people good deals if they sign up; STV gains email addresses of consumers which can be used by STV. • STV Live Casino targets the gambling market, increasing direct revenue. 	6	

Question	Expected Answer/s	Max Mark	Additional Guidance
2	Cont... <ul style="list-style-type: none"> • Mirri Ad Ltd: Links with this allowed the digital insertion of product placement. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
3	<p>Examine the advantages and disadvantages to STV Group of partnerships and joint ventures with other companies such as Kinetic Content.</p> <p>Award one mark for each point plus one mark for each development point.</p> <p>Candidates who provide a general response on partnerships or joint ventures with no reference to the case study should gain a maximum of 2 marks. Maximum 3 marks if only advantages or disadvantages examined.</p> <p><i>Advantages</i></p> <ul style="list-style-type: none"> • Partnership with Brightcove allows STV access to skills – this means the STV Player was produced in a short space of time; it enabled STV to produce a quality player, as evidenced by being voted second best VOD platform. • Partnership with MirriAd allows STV Group to use the expertise of the market leader in the field; helping it tap into a new and rapidly expanding market of product placement; will help it to achieve desired increase in advertising as more companies want their products advertised in programmes. • Kinetic Content joint venture gives STV Group a springboard into the US market; provides a cost effective way of accessing US broadcasters – STV secured its first pilot in the US through its joint venture with Kinetic Content; allows STV to reach a wider market eg global; gives STV the experience to enter other markets. <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> • Kinetic Content have the access to take commissions away from STV as the UK market is now opened up to them. 	4	

Question			Expected Answer/s	Max Mark	Additional Guidance
3			Cont... <ul style="list-style-type: none">• Danger of Kinetic Content using information gained from STV to become a competitor		

Question	Expected Answer/s	Max Mark	Additional Guidance
4	<p>Assess the ways in which STV Group's approach to employee relations has helped it to develop a committed workforce.</p> <p>To be awarded a mark, candidates should explain the extent to which each factor can affect commitment. Up to 2 marks may be awarded for appropriate reference to motivational theories such as those from Maslow or Herzberg. Do not credit reference to employees feeling valued without further explanation.</p> <ul style="list-style-type: none"> • Quarterly staff briefing sessions improve communication, staff feel part of the team as they are being told what is going on; however there is no evidence of being involved in decisions only of being told what the decisions are. • e-learning via the BBC cd-rom safety course means employees can access training in their own time/ from home, which motivates them as they can choose when they access the course. • Safety course shows them how to be safe, indicating that the company cares about them – an example of safety needs on Maslow's hierarchy being met. • An employee opinion survey takes their views into account– if opinions are acted upon this will motivate further as staff see they are listened to, but if opinions are not acted upon this will demotivate. • MYSTV allows employees to demonstrate achievement, which could help achieve promotion, bonuses or rewards. This may be consistent with Herzberg's motivators, which include promotion and improvement. 	4	

Question	Expected Answer/s	Max Mark	Additional Guidance
5	<p>Using force field analysis, explain STV Group's decision to opt out of the Network.</p> <p>Award a maximum of 4 marks for a diagram showing at least 2 drivers, at least 2 resistors, arrows of varying lengths pointing towards each other, and at least one asset for change.</p> <p>Award up to 4 marks for explanation of drivers and resistors. To gain a mark, candidates should indicate why the factor is a driver or resistor.</p> <p>Up to 4 marks should be allocated for analysis of the force field diagram and how it can be used to explain the decision to opt out of the network. This could include comparison of the relative strengths of drivers and resistors and explanation of why, in this case, the drivers outweighed the resistors as far as STV was concerned.</p> <p>Drivers can include:</p> <ul style="list-style-type: none"> • Unpopular programmes – STV is getting rid of programmes it thinks will not be popular • Chance to increase audience share and chance to attract increasing audience by showing their own produced programmes • Increasing cost of programmes – STV pays a lot of money to ITV to show its programmes • Scottish audience – STV feels that, as a Scottish company, it has the responsibility to produce programmes for Scottish tastes • Opportunity to attract a younger/more up-market audience with programmes such as football and Underbelly • STV's strategy – a core part of this is to opt-out. 	10	

Question	Expected Answer/s	Max Mark	Additional Guidance
5	<p>Cont...</p> <ul style="list-style-type: none"> • Dependence on ITV for 95% of programmes. <p>Resistors</p> <ul style="list-style-type: none"> • Possible loss of advertisers – if STV are not showing popular ITV programmes it may lose advertisers • Loss of revenue – if advertisers pull out then STV faces a loss of advertising revenue • Uncertainty about audience reaction. • Dependence on ITV for 95% of programmes. <p>Assets for change</p> <ul style="list-style-type: none"> • STV has an established production company which is able to produce its own programmes. • STV already has partnership agreements and joint ventures in place. • Finance is available • Right to opt out from ITV • Strong loyal audience in Scotland. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
6	<p>Using examples from the case study, discuss the importance of STV Group's policy of corporate social responsibility.</p> <p>Award one mark for each relevant point plus one for each development point. Relevant examples may be credited with one mark each, providing it is clear that the candidate is aware of why the example illustrates the point being made. Candidates need not make any negative points to secure full marks. Maximum 3 for general points.</p> <ul style="list-style-type: none"> • STV Appeal – lets the public see STV cares about Scottish children. It is a very public appeal and can be advertised on STV so attracts a large audience; increases audience size as large numbers of the population may tune in to watch their friends raising money for charity. • Studio tours – localised appeal which does not attract a large number of people as only so many people can go on the tour and it is limited to 2 studios; but means STV is seen to be giving something back to the local community. • Work placements – allow people to experience working for a television company, which is a rare chance as not many television companies exist; could inspire future employees. • Prince's Trust – allows employees a chance to give something back by working with young people; gives them a sense of purpose; helps develop skills of young people in local communities; could be argued that 6 visits per year is not a great amount. • Green Travel Plan – shows not only that it cares for the environment but also that it cares about employees by providing facilities which will help them be able to cycle or walk to work, which is good for their health. 	6	

Question	Expected Answer/s	Max Mark	Additional Guidance
6	<p>Cont...</p> <ul style="list-style-type: none"> • Green office week-encouraging staff to recycle and conserve energy. Can generate good publicity and help reduce costs. • Common purpose- STV's partnership can help to raise it's profile with the younger generation, which it is seeking to interest in its services. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
7	<p>Using evidence from the case study, explain how STV Group might measure its success.</p> <p>Award a maximum of 2 marks for general points about measures of success which are not related examples from the case study. Exhibit 4 provides useful information which candidates can use for this question.</p> <ul style="list-style-type: none"> • Revenue – during 2007-2009 it dropped to £90.3 million but it went up again in 2010. Digital revenue was up 50% to £4.2m – this is promising as digital media is the future. • Operating profit dipped in 2009 but went up again in 2010 to £14.4m. • Expenses – these were steadily going down, but increased in 2010 to £90.4m, which could be due to the creation of new websites and STV Player. • Achieving accolades – the STV Player was voted the best commercial catch-up site in the UK – suggesting the group has a good product that users like. • Increasing number of viewers for the group's on-line media – over 2m monthly YouTube users. • Over half the population watch STV News at least once a week – a high number considering there are many channels on which to watch the news. • Comparison with competitors – in 2010 Taggart outperformed the ITV equivalent. • Debt was reduced from £180m to £52m – a benefit of selling off the loss-making Pearl & Dean. • Number of hits on STV website 	4	

Question	Expected Answer/s	Max Mark	Additional Guidance
8	<p>Explain the advantages and disadvantages to STV Group of selling off its non-core businesses. <i>Maximum 4 general marks. Maximum 7 if no disadvantages given.</i> <i>Advantages</i></p> <ul style="list-style-type: none"> • Pearl & Dean was making a loss – this allowed STV to reduce its debt. • STV had a provision for future losses of £14.3 million – this could be reduced by selling Pearl & Dean. • Radio and cinema are not core functions as the group concentrates on television, broadcasting and digital media – selling off these areas allows STV to specialise in the core functions and improve them. • Pearl & Dean cinema advertising does not meet local needs as advertisements are national so do not fit in with the strategy of becoming more local. • The uncapped trading risk meant STV would have had no upper limit to the amount Pearl & Dean would have to pay Vue – the sale removed this risk and the uncertainty. <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> • STV did not make very much on the sale of Pearl & Dean as it only sold it for £1. • Pearl & Dean is iconic in the world of film – STV could have used the connection with this recognisable brand to further its own brand name. • Pearl & Dean’s presence in 1478 cinemas means STV is missing out on potential advertising across the UK, not just in Scotland. 	8	

SECTION TWO

Question	Expected Answer/s	Max Mark	Additional Guidance
9 a	<p>Firms may expand their operations into other countries through setting up their own facilities abroad and buying existing overseas firms. Examine the advantages and disadvantages of these options.</p> <p>Advantages and disadvantages must be explained to gain a mark. No credit for flips. Maximum of 8 if only advantages or only disadvantages discussed. Maximum 3 per point. Credit advantages and disadvantages for home and host countries. Credit examples.</p> <p><i>Advantages of investing directly in facilities to produce a product in a foreign/host country.</i></p> <p>Constructing your own facilities means you can choose any locations and purpose build facilities; a company operating this policy can be sure that it can effectively replicate facilities across the world, manage them on a common footing; more easily instil new company culture in a foreign land.</p> <p><i>Disadvantages</i></p> <p>Time to find a suitable location and construct the building; effort and negotiation with national or local authorities in host country; possible need to develop new infrastructure; cost of new building and up to date technology may be high; time taken to hire and train employees.</p>	14	

Question	Expected Answer/s	Max Mark	Additional Guidance
	<p><i>Advantages of buying an existing enterprise in a foreign/host country.</i></p> <p>This has the added advantage of having knowledge and experience of local market conditions available from the initial stages; suitably skilled staff knowledgeable about the language and culture of the country may already be in place; the company could trade on the other firm's reputation – customer base may be there; it allows firms to enter new markets, where they have little or no experience, easily; firms can buy up loss-making companies abroad very cheaply; less investment in management and technology is needed; can turn around the company much more quickly than setting up a business from scratch.</p> <p><i>Disadvantage</i></p> <p>It may be difficult to find a firm with the facilities it needs.</p>		

Question	Expected Answer/s	Max Mark	Additional Guidance
9	<p data-bbox="240 219 268 248">b</p> <p data-bbox="347 219 863 383">Small businesses find it increasingly difficult to operate in the current economic climate. Describe and justify sources of assistance available to such businesses.</p> <p data-bbox="347 421 794 450">Maximum 6 marks for description.</p> <p data-bbox="347 479 437 508"><i>Banks</i> Description of bank loan, overdraft, mortgage and suitable justification for use by small business.</p> <p data-bbox="347 640 863 875"><i>Enterprise Companies</i> (LECs and TECs) Funded by the government, these have been set up to support economic growth by offering advice, training and grants to businesses seeking to establish themselves or to expand in their area.</p> <p data-bbox="347 904 863 1068">Business Start Up Scheme – this is administered by LECs on behalf of the government, giving allowances of between £20 and £90 a week to people trying to set up their own businesses.</p> <p data-bbox="347 1106 863 1435"><i>Government</i> Loan Guarantee Scheme – run by the government, this enables small and medium sized firms to get loans which the banks would otherwise consider too risky. The government agrees to repay 70% of the loan should the borrower default. In return the borrowing firm has to pay a higher rate of interest than the market rate, and an insurance premium.</p> <p data-bbox="347 1464 842 1525">Reduced corporation tax and optional VAT registration for small firms.</p> <p data-bbox="347 1554 863 1852">The government also offers help to exporting firms through measures such as zero rating of exports for VAT purposes; the Department of Trade and Industry (DTI) offering advice and support and organising trade fairs to promote British goods; the Export Credit Guarantee Department insuring firms against the risks of trading overseas.</p>	11	

Question	Expected Answer/s	Max Mark	Additional Guidance
	<p><i>European Union</i> Financial help may be available from bodies such as the European Regional Development Fund (help for regional initiatives such as building new road links) and the European Social Fund (help for training and retraining of workers).</p> <p><i>Other organisations which offer help and advice to businesses:</i></p> <ul style="list-style-type: none"> • The Prince's Youth Trust offers help to young people setting up in business • Local authorities often have 'small business advisers' who can give help about matters such as planning permission or the availability of grants • Trade Associations are set up for specific industries and can offer specialised help and advice eg ABTA • Chambers of Commerce are local organisations that aim to promote the interests of business people in general • Business Angels. 	11	

Question	Expected Answer/s	Max Mark	Additional Guidance
10 a	<p>In 2011, five countries, including Turkey and Croatia, were waiting to join the EU. Discuss ways in which EU enlargement could impact on UK businesses.</p> <p>Up to 4 marks per point. To gain full marks at least one beneficial and one adverse effect should be discussed. Maximum of 7 marks for relevant points where the impact on UK businesses is not made clear.</p> <ul style="list-style-type: none"> • EU enlargement refers to the extension of membership of the EU to include new members, primarily from Eastern Europe. (one mark max for definition) • The larger market will give more scope for economies of scale because it will give firms the chance to produce more and therefore lower average cost. • Joint ventures will become more feasible, with the UK firm providing the cash, machinery and expertise while the Eastern European firm provides land, buildings and labour, however, many of the governments of the new members are unpredictable, and have a bureaucratic structure left over from Communist days which can cause delays as firms seek to comply with regulations; corruption can be a problem in some countries where bribery of officials is accepted as the norm. • Lower wage costs in new member states will help firms to cut costs by relocating their operations, though EU membership may cause wage rates to rise over time. • Business will be able to source supplies free of any trade barriers from a wider market, which may allow them to cut costs and increase profitability; or reduce prices to customers to increase competitiveness; wider choice of suppliers could lead to higher quality inputs. 	13	Must mention some of the countries joining.

Question	Expected Answer/s	Max Mark	Additional Guidance
	<ul style="list-style-type: none"> • New markets will be available to UK firms; the total population of the new member countries is between 75 and 100 million; this will be especially beneficial to firms whose UK market is saturated, such as Tesco; however, the low average income in most of the new applicants may limit demand for products of UK firms and so constrain their ability to expand. • As most of the new entrants have below average living standards, EU regional development funding is likely to be channelled to them rather than long standing members; so fewer EU grants may be available to UK businesses limiting their prospect of development. • The enlarged EU will create greater competition as firms in the new member countries take advantage of reduced trade barriers to expand into older member countries; this may initially reduce the profit of UK firms; but will also give them an incentive to reduce prices, improve efficiency and develop new products and markets to compete. • Although the UK is not in the Eurozone, as new members join UK firms may benefit from dealing in a single currency over a wider area. • Enlargement may open sources of recruitment for UK firms which help to reduce skills and labour shortages eg in the building trade and in restaurants and hotels. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
10 b	<p>Describe the Classical School of Management and the Contingency School of Management and assess their relevance to modern business practice.</p> <p>Maximum 7 for description. Maximum 6 per school.</p> <p><i>Description</i></p> <ul style="list-style-type: none"> • The Classical School is based on Scientific Management which emphasised efficiency above all things; extensive division of labour was used; researchers such as Taylor carried out time and motion studies to find out the best way of doing a task, reflecting their mechanistic view of workers; and then set a standard rate of pay as they believed that employees were only interested in money; the Classical School established the principle of paying people by results which came to be known as the piece rate; classical writers said the ideal organisation was a hierarchy (bureaucracy) with clearly defined rules and procedures; initiative was discouraged – managers were responsible for thinking, workers for obeying instructions; workers were closely supervised to ensure that instructions were obeyed and procedures followed. • The Contingency School holds that no single ideal method of management exists: the best approach will depend on the variables* (contingencies) of the particular situation faced; it builds on the ideas of the systems school, which focused on interrelationships between structure and behaviour in an attempt to reconcile the ideas of the classical (accused of focusing on the organisation structure but ignoring human needs) and human relations (accused of ignoring structure by focusing on human needs) schools; the contingency approach recognises that each situation is unique and the method of organisation needs to be tailored accordingly. 	12	

Question	Expected Answer/s	Max Mark	Additional Guidance
	<p>* Variable factors may include the size, type and history of a particular organisation, the nature of the work, the skills and experience of its workforce, the nature of the managers, the market environment, all of which can affect the approach to management chosen.</p> <p><i>Relevance</i></p> <ul style="list-style-type: none"> • The ideas of the Classical School are still relevant in manufacturing industries which have routine processes and require a standardised output; many modern techniques like lean production and business process re-engineering are based on the principles of scientific management eg attempts to measure the time it takes to get an order to a customer and to reduce the time spent on each of the steps in the processes involved; elements of Scientific Management can also apply to service sector industries such as fast food outlets, so that a uniform service is provided throughout all branches; eg supermarket check-out operators may be trained in the precise way they have to deal with customers. • The Classical Approach has been criticised for demotivating workers by treating them like machines; division of labour can lead to boring, repetitive work and worker alienation as workers feel themselves to be small cogs in a large machine where they never see the end product. • Measuring performance has become increasingly important because of greater expectations of employees in meeting targets; this may be more difficult to measure in some industries eg the service sector. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
	<ul style="list-style-type: none"> The Contingency School is relevant to current 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; helps managers adjust to changes in social and economic circumstances eg by making changes to accommodate flexible working practices; may lead to methods which have become out of date being replaced – in a rapidly changing global environment this may be important. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
11 a	<p>Examine the characteristics that teams should have if they are to operate effectively.</p> <p>Maximum 3 per characteristic. Maximum 7 for points not linked to effectiveness.</p> <ul style="list-style-type: none"> • Teams should be formed from employees with a variety of skills and knowledge so that all areas of expertise are available for the tasks. Credit reference to Belbin. • Problems can be shared so that each team can arrive at a decision which takes everyone's viewpoint into consideration – this increases the number of ideas available to the team, leading to a greater chance of success; this can also motivate team members to work more effectively together. • Team size – if a team is too large this can make interaction more difficult and create changes in the decision-making process. The more members, the more complex a communication process is needed; however, a broader range of experience can be brought to the table; too small a team can limit expertise available. • Each team member must clearly understand the team's work, and the role of each individual, and have a high commitment to achieving targets in order to ensure the team stay on track working towards objectives. • Team members should be empowered to control how they perform the tasks that have to be completed by the team – the fact that the teams are self-managing can raise productivity and increase the quality of the product. • Members need to know why the team has been formed and the nature of the task – this enables them to focus on working towards the team goal. 	13	

Question	Expected Answer/s	Max Mark	Additional Guidance
b	<ul style="list-style-type: none"> • By working together on several projects, team members can build up expertise in decision-making, resulting in better quality decisions. • Team members must build up trust among themselves and accept each other's strengths and weaknesses – this creates an atmosphere where members feel able to take bolder decisions. • Good communication – as poor communication would lead to mistakes and delays. <p>Explain the importance of any 2 of the following for UK businesses.</p> <ul style="list-style-type: none"> • Financial incentives • Transfer pricing • Cash flow forecasts • Market segmentation <p>One mark may be awarded for a suitable definition of each term. Max 7 per section.</p> <p><i>Financial Incentives</i></p> <ul style="list-style-type: none"> • Credit link to Taylor and McGregor. • Profit-sharing, where employees can be paid a cash bonus as a proportion of the company's annual profits, motivating staff by linking employees' efforts to company's profits. • Share ownership – while this can be expensive to set up and operate it has been shown to have a positive impact on employee motivation as they are now owners not just employees; this is much more important to the private as the public sector does not have shares. • The size of the financial benefit can play an important part in how much PRP acts as a real employee motivator; Herzberg's motivating vs hygiene factors highlight this; unless the financial reward is of some significance, motivation and job satisfaction would not improve. 	12	

Question	Expected Answer/s	Max Mark	Additional Guidance
	<ul style="list-style-type: none"> • Bonus Schemes – can be very useful to ensure organisations reach emergency deadlines. <p><i>Transfer Pricing</i></p> <ul style="list-style-type: none"> • The price at which goods and services are transferred between branches of multinational companies in different countries; the goods and services do not go outside the company and so no actual buying and selling of them takes place; this means that the multinational company itself decides what the transfer price will be so it can set prices in a way that suits the company. • TP can be used to position funds within an international business to the benefit of the organisation – tax liabilities can be reduced by using transfer pricing to shift earnings from a high-tax country to a low-tax one; their goal is to declare low profits in high tax countries and high profits in low tax countries to minimise global tax liabilities; in a high tax country they would sell their goods to a foreign subsidiary at a low price to ensure low profits, vice versa in low tax countries. • Import duties can be reduced where the tariff to be paid is calculated as a percentage of the value of the goods (which is shown by the price). • Where a large currency devaluation is expected in a country, transfer pricing can be used to reduce exposure to foreign exchange risk. • Use of transfer pricing strategies by large US multinationals such as Starbucks and Google to minimise UK Tax has put UK firms at a competitive disadvantage; max one for example. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
	<p><i>Cash Flow Forecasts</i></p> <ul style="list-style-type: none"> • Accounts which concentrate solely on profits can give a misleading impression of the financial state of an organisation – businesses may be making a large profit by allowing customers to conduct business on credit, but there will be no cash inflows until they pay their bills. • The cash flow forecast is an attempt to analyse the actual cash position of the business to gauge the liquidity of its operations. • A forecast of surplus cash is an aid to deciding the availability of cash for investment and further expansion; a forecast of deficit allow the business to make arrangements in advance to continue trading eg overdraft, extended credit from suppliers*. • Businesses can compare forecasts with statements to identify variances. • The forecast can be used as part of a business plan to secure funding from investors. <p><i>Market Segmentation</i></p> <ul style="list-style-type: none"> • Market segmentation is grouping customers together according to common characteristics so that each group can be separately targeted and the product tailored to meet the needs of the specified segment. • It can make advertising and promotion more focused by allowing it to target only people who would be interested in their product. • It can enable companies to specialise in particular segments and develop expertise in meeting the needs of customers in these segments. • It can help a company achieve higher sales and build up a stronger market position. • It enables firms to identify new market niches which can be exploited. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
12 a	<p>With reference to Mintzberg, describe the different roles that managers play and assess their impact on achieving organisational objectives.</p> <p>Maximum 7 for description</p> <ul style="list-style-type: none"> • Figurehead's role is to represent the organisation to the outside world; this can help others recognise the importance attached by the firm to various activities and assist the firm in gaining co-operation in pursuit of its objectives. • Leading role is to inspire and motivate employees; workers will want to work hard to please their leader thus meeting company objectives more effectively. • Liaison role involves developing relationships both within and outwith the organisation; managers can foster relationships which may allow them to gain planning permission which could help them to meet their growth objective. • Monitoring checks progress at each stage; if problems are identified managers can take corrective action to keep the organisation on track to meet objectives. • Disseminating involves informing staff and others of objectives; so that everyone is clear what is expected and less likely to go off course in meeting objectives. • Spokesman's role is to let members of wider community know what the company is doing; if manager has displayed effective presentation skills this may win support for the firm's objectives. • Entrepreneur's role is to come up with ideas and decisions; good quality decisions are essential to meeting company objectives. • Disturbance handler deals with any problems that arise; failure to do so may lead to delays in achieving objectives. 	12	

Question	Expected Answer/s	Max Mark	Additional Guidance
12	<p data-bbox="248 696 268 723">b</p> <ul style="list-style-type: none"> <li data-bbox="352 226 836 456">• Resource allocator’s role is to decide how the company’s resources should be used; if a company does not have the right resources in the right place at the right time it cannot meet its objectives. <li data-bbox="352 501 858 629">• Negotiator acts as an intermediary; he/she may act as a go between when different stakeholders are setting objectives. <p data-bbox="352 696 874 792">Assess the extent to which a decision to become “greener” might affect the functional areas of an organisation.</p> <p data-bbox="352 831 871 927">Maximum 4 for points not linked to specific functional area. Maximum 6 for each functional area.</p> <p data-bbox="352 965 496 994"><i>Operations</i></p> <ul style="list-style-type: none"> <li data-bbox="352 1028 874 1258">• Organisations may have to adjust their production methods or invest in new technology eg to minimise their use of energy or reduce their emission of pollutants; to replace non-renewable inputs with renewable ones. <li data-bbox="352 1303 874 1458">• Firms may have to devise ways to recycle waste; they may have to find more environmentally friendly ways of disposing of waste, increasing costs. <li data-bbox="352 1503 842 1599">• Firms may seek more environmentally friendly suppliers, which could incur higher costs. <li data-bbox="352 1644 871 1771">• Some firms may decide that it is cheaper to pay the fines levied by the government and continue to use environmentally unfriendly methods. <p data-bbox="352 1805 416 1834"><i>R&D</i></p> <ul style="list-style-type: none"> <li data-bbox="352 1868 842 2024">• Organisations may need to spend more on Research and Development to create new environmentally friendly products and processes. 	13	

Question	Expected Answer/s	Max Mark	Additional Guidance
	<p><i>Marketing</i></p> <ul style="list-style-type: none"> • Products – firms may have to alter their product or reduce/adapt its packaging eg UK Green Investment Bank. • New markets may be accessed eg Scottish Nappy Company. • Customer loyalty may increase eg Tesco green Clubcard points given for bag re-use. • Marketing strategies can be adjusted to promote products as environmentally friendly eg Ariel “Turn to 30” campaign; development of a reputation for caring for the environment may attract new customers; firms may use the fact that they carry out Environmental Audits in their publicity; Carbon Trust Standard provides certification which can be used in advertising. • Higher costs of environmentally friendly inputs may lead to higher prices; possible loss of customers to cheaper competitors. <p><i>Administration</i></p> <ul style="list-style-type: none"> • Firms may try to minimise use of energy by introducing and maintaining suitable procedures. • Carbon footprint is reduced by minimising use of paper. <p><i>Human Resources</i></p> <ul style="list-style-type: none"> • Training employees in environmentally friendly attitudes can be costly. • Firms which do introduce training may find that employees may be more motivated due to feeling that they have made a positive contribution to the environment. • More people may wish to work for a firm known to be environmentally friendly, giving it more choice when recruiting new members of staff. 		

Question	Expected Answer/s	Max Mark	Additional Guidance
	<p><i>Finance</i></p> <ul style="list-style-type: none"> • Costs may be cut eg through reduced packaging and subsequently lower transport costs; reduction in energy costs eg Renewable Heat Incentive where firms receive payment for each unit of renewable electricity generated. 		

COMMAND WORDS

Command word	Definition
Analyse	Identify components and the relationship between them; draw out and relate implications.
Assess	Examine closely with a view to measuring a particular situation taking account of strengths and weaknesses; for and against.
Compare	Identify similarities and differences between two or more factors.
Contrast	Identify the difference between two or more factors.
Describe	Provide a thorough description.
Discuss	Examine closely taking account of strengths and weaknesses in an argument; offer reasons for and against.
Evaluate	Make an appraisal of the worth, effectiveness or usefulness of something.
Examine	Give both a description and an explanation.
Explain	Give a detailed response (definition and explanation) as to how/why something may benefit/hinder.
Explore	Explain in detail.
Justify	Explain why/give reasons to support your statements.
Suggest	Make a judgement and give some support or reason for your suggestion.

[END OF MARKING INSTRUCTIONS]