



National
Qualifications
2018

X710/77/11

**Business Management
Case Study**

FRIDAY, 18 MAY

9:00 AM – 11:45 AM

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

The questions can be found in question paper X710/77/21.



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VODAFONE

Introduction

Vodafone Group Plc is a British multinational telecommunications company. Since the first ever mobile call was made in the UK on 1 January 1985, Vodafone has grown into a global business and one of the most valuable brands in the world.

Vodafone now operates in 26 countries and is a partner to networks in over 50 countries. Today, it has almost 462 million customers around the world.

The business model

Vodafone's global scale and reach, leading network quality, and breadth of services helps differentiate it from similar companies. Its business model is simple — maintain a virtuous circle of high investment to maintain a superior network and customer experience, leading to strong cash generation in order to reinvest and reward shareholders.

Vodafone creates connections. It helps people confidently connect to their families, friends and customers through any service, anywhere, at any time. It believes it is well-placed to achieve its focus on being a high-quality provider.

(Exhibit 1 gives an extract from Vodafone's business model)

Regulation

The mobile industry is heavily regulated by national and regional authorities. Regulators continue to lower mobile termination rates (MTRs) which are the fees mobile companies charge for calls received from other companies' networks, and to limit the amount that operators can charge for mobile roaming services. In the European Union the Telecoms Single Market Package regulation requires the abolition of roaming surcharges by June 2017. These two areas currently represent around 11% of service revenue for Vodafone. The regulatory environment in Europe is challenging and continually changing.

Mobile operators rely on spectrum to connect people. Spectrum is the radio frequencies allocated to the mobile industry for communication over the airwaves. Therefore, the more spectrum a company holds the more people they can connect and at faster speeds. In the UK in 2015 the national regulatory authority Ofcom decided that companies should pay full market value for annual licence fees for spectrum. Therefore, Vodafone UK will pay annual fees of approximately £50 million for spectrum.

The mobile market

The global mobile industry has 7.2 billion users, generating around one trillion US dollars of annual service revenue every year. Around 60% of revenue comes from traditional calls.

However, over the last few years the demand for mobile data services, such as watching videos and Internet browsing on a smartphone, has grown, and today around 40% of revenue is from data, up from around 30% in 2011.

In mature markets such as Europe, the reported proportion of the population with a phone — or mobile penetration — tends to be high (usually over 100%) as some people have more than one device.

Expansion in India

The mobile industry is highly competitive, with many alternative providers. In each country there are typically at least 3 to 4 mobile network operators (MNOs), such as Vodafone. Across Europe there are more than 100 MNOs.

Mobile penetration is usually lower in emerging markets, such as India, particularly in rural areas. This is due mainly to lower incomes and less network coverage. However, these markets are growing rapidly. Vodafone aims to continue its expansion in India due to favourable market conditions such as a young and expanding population, faster economic growth, low but rising mobile penetration (74%) and less fixed line infrastructure. The mobile Internet is often the only connection to the Internet for people in this area. The company added 14.1 million customers in one year, taking the total to 197.9 million.

Data growth in India continues to be very strong, with data usage over the network up 64% year-on-year, and the active data customer base increasing by 3.8 million to 67.5 million.

While India represents an excellent long-term investment opportunity, the present regulatory challenges are hampering economic development. The piecemeal release of new spectrum makes it difficult to penetrate larger areas of the country and leaves less capital available for investment to bring high-quality services to more of the country. This is exacerbated by other ongoing regulatory challenges such as roaming price caps and an increase in service tax. Market conditions remain competitive and may be further impacted by forthcoming spectrum auctions, where organisations bid for more frequencies. In addition to this Vodafone is a new entrant to the Indian market.

Europe

The European Union referendum result has led to questions about the stability of the UK economy. There are concerns over reductions in corporate and consumer confidence and spending. It could also have a prolonged impact on capital markets that may restrict Vodafone's financing. However, the company's exposure to any depreciation of sterling is limited by the fact that the vast majority of its income is in currencies other than sterling.

However, if negotiations for a post-Brexit Britain do not result in freedom of movement for people, capital and goods, Vodafone may move its head office from the UK as the company believes these issues are integral to the operation of any pan-European business.

Vodafone is a British network operator which employs more than 8,000 people in the UK, with contact centres in Stoke and Newark and more than 350 stores across the UK. It contributes more than £700 million to the UK economy every year — the equivalent of paying for 34,000 nurses or 32,000 teachers. Over the last decade the company has been one of the country's largest contributors to the public purse, putting in more than £10 billion.

[Turn over

Sustainable business – Women’s Empowerment

Vodafone aims to ensure its business objectives have a clear social purpose.

It has three significant global transformation goals, one of which is Women’s Empowerment. As part of this Vodafone aims to become the best employer of women in the world by 2025. It also aims to demonstrate leadership by being a ‘beacon employer’ for women in each of the countries in which it operates by providing a range of mentoring, training and peer support programmes for women and enabling flexible working and home working.

(Exhibit 2 gives an extract from the Women’s Empowerment goal)

Employee training and development

Vodafone employs an average of 108,000 people. It believes its people are key to building a high-performance culture. It demonstrates this through:

- Tailoring its training to employees’ individual capabilities and ambitions, through formal training, on the job experiences, and regular feedback from managers.
- Training 50,000 people through Vodafone’s global academies enabling employees to develop world-class capabilities within their core discipline and support their career development.
- The global employee survey which showed that 80% of employees feel that the training and development they received allowed them to do their jobs better.
- Regular talent reviews conducted to identify high-potential future leaders. Each year 60 of them are provided with the opportunity for an accelerated development.
- Employees’ views which are considered on issues related to its strategy, its people agenda, its products and services and changes happening in the Company in a variety of ways, including executive video updates, events and forums, intranet, e-mails, texts, as well as through individual team leaders.
- Senior leadership teams that take part in the Customer Experience Leadership programme — a two-day workshop focused on listening to customers, external best practices, driving simplicity, and action planning.

(Exhibit 3 gives some additional statistical information)

Exhibit 1: Extract from Vodafone's business model

| SUPERIOR NETWORK INFRASTRUCTURE | | | |
|--|---|--|--|
| | Spectrum and mobile network | Fixed network | Other information technology |
| | Spectrum is the radio frequencies allocated to the mobile industry for communication over the airwaves. | Fixed capabilities are networks to enable TV, broadband and voice services. | |
| Expenditure | £7.7 billion spent on spectrum in the last 3 years. | £15 billion spent on acquiring fixed network businesses in recent years. | £4.2 billion invested over the last 3 years. |
| Reach | 300,000 base station sites. | 72 million homes reached with high speed broadband. | <ul style="list-style-type: none"> • 12 countries with cloud and hosting capabilities. • 25 million 'My Vodafone' app users. |
| Developments | <p>Acquiring spectrum has boosted network quality and capacity to carry more data.</p> <p>Vodafone has one of the world's largest footprints of mobile base station sites, across 26 countries.</p> | Vodafone builds its own fixed line infrastructure, rents from other operators or acquires cable companies. | IT systems upgraded to standardise and simplify its processes such as customer relationships. |
| Benefits | <p>Customers are provided with:</p> <ul style="list-style-type: none"> • wide coverage, both indoors and outdoors • reliable connection • high-speed data transmission • ample data capacity. | Vodafone can reach around half of European households with high speed broadband over 30 Mbps. | <ul style="list-style-type: none"> • Enhanced customer services in-store, on the phone and online. • Customers can have single bills for joint fixed and mobile price plans. • Business users have cloud and hosting for more flexible working. |

| BREADTH OF SERVICES | |
|---|--|
| 25 million mobile banking users | 9.5 million TV customers |
| 24/7 call centres in all European markets | 41,000 retail customer service staff |
| 16,000 branded shops globally | 4G coverage of 87% in European markets |

Exhibit 2: Women’s empowerment initiatives

Two hundred million fewer women than men own a mobile phone worldwide and the gender gap is more visible in emerging markets. By 2025, Vodafone seeks to connect 50 million women living in emerging markets to help improve their lives and livelihoods.

It is estimated that connecting more women (and increasing the mobile usage of existing women customers) to reach parity with men could enhance industry revenues by around \$170 billion by 2020.

| | |
|--|---|
| <p>Pre- and post-natal support in Turkey</p> | <p>Women receive up to six free text messages a week addressing healthcare topics that are directly relevant to the mother’s pregnancy and for the first 18 months of the baby’s life to reduce new-born infant deaths.</p> |
| <p>Business Women Connect in Tanzania</p> | <p>In sub-Saharan Africa, access to banking can be extremely challenging, particularly in rural areas. This initiative provides access to banking services via mobile which enables these women to increase their savings, re-invest in their businesses and grow their incomes, thereby advancing their economic empowerment.</p> |
| <p>#Selfies4School campaign in 2014–15</p> | <p>Vodafone promised to send 10 girls to school in India for every selfie that was uploaded on Facebook and Twitter. More than 5,800 selfies were received.</p> <p>Vodafone India’s employees and customers raised £163,000 — sufficient to send 62,000 girls to school for one academic year.</p> |
| <p>Helping victims of domestic abuse with TecSOS</p> | <p>One in four women around the world will experience domestic violence at some point during their lifetime. This initiative offers thousands of women who are living in fear of violence a way to call for help. The TecSOS device can be activated with the press of a single button, which initiates a phone call to the emergency services. TecSOS handsets have been used by over 51,000 users across Germany, Hungary, Ireland, Portugal, Spain and the UK.</p> |

Exhibit 3: Additional statistical information

Among mobile operator groups globally, Vodafone is ranked fifth by revenue and second (behind China Mobile) in the number of customers.

Selected financial and other data: 2013–2016

| | 2016 £ m | 2015 £ m | 2014 £ m | 2013 £ m |
|-------------------------|-------------|-------------|-------------|-------------|
| Revenue | 40,973 | 42,227 | 43,616 | 44,445 |
| Operating profit/(loss) | 1,377 | 1,967 | (3,913) | (2,202) |

| | | | | |
|---------------------------------|---------|---------|---------|---------|
| Dividend per share (in pence) | 11.45 p | 11.22 p | 11.00 p | 10.19 p |
| Capital expenditure (£ billion) | 8.6 bn | 9.2 bn | 7.1 bn | 6.3 bn |

Some other information about the company:

| | 2016 | 2015 | 2014 | 2013 |
|---|---------|---------|--------|--------|
| Number of mobile customers | 462 m | 446 m | 434 m | 404 m |
| Average number of employees | 107,667 | 101,443 | 92,812 | 91,272 |
| Employee turnover rates | 19% | 18% | 15% | 16% |
| Employee engagement score | 79% | 77% | 77% | 78% |
| % of women in senior management | 24 | 23 | 24 | 20 |
| Consumer mobile net promoter score (out of 21 markets) ¹ | 13 | 11 | 9 | 8 |

¹ Net Promoter Score (NPS) measures the extent to which its customers would recommend Vodafone to friends and family.

Vodafone International Services has been recognised as the 'Best Contact Centre' for 3 successive years.

In 2015 Vodafone won the UK APMP People Development Award 2015 for their training and in-house courses.

[END OF CASE STUDY]

ACKNOWLEDGEMENTS

Case Study – Information is adapted from Vodafone’s Annual Reports 2013-2016; and www.vodafone.co.uk. Reproduced by kind permission of Vodafone Ltd.



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**Business Management
Questions**

FRIDAY, 18 MAY

9:00 AM – 11:45 AM

Total marks — 80

SECTION 1 — 40 marks

Attempt ALL questions

SECTION 2 — 40 marks

Attempt ALL questions

It is recommended that you spend 15 minutes reading over the information provided in the Case Study before responding to the questions.

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

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

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



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SECTION 1 — 40 marks

Read ALL the information in the Case Study and attempt ALL the questions.

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

1. Discuss the impact of Vodafone's employee training and development on achieving a high-performance culture. 6

2. Analyse the drivers and resistors of Vodafone's decision to continue its expansion into India. (Your response must include a force field diagram.) 8

3. Explore the ways regulation is affecting Vodafone. 4

4. Explain the impact of Vodafone's initiatives through its Women's Empowerment goal. 8

5. Explain, using Exhibit 3, possible reasons for the changes in Vodafone's performance between 2013 and 2016. 6

6. Explore the ways Vodafone's business model helps it to become a high quality provider. 8

SECTION 2 — 40 marks

Attempt ALL questions

- | | | | |
|-----|-----|---|----|
| 7. | (a) | Describe the contingency theory of management. | 4 |
| | (b) | Explore the relevance of contingency theory of management to UK organisations today. | 6 |
| 8. | (a) | Explore the benefits to UK organisations of increased foreign direct investment in China and the Association of South East Asian Nations. | 6 |
| | (b) | Explain the negative impact the success of the Association of South East Asian Nations and China may have on UK organisations. | 4 |
| 9. | | Discuss the impact of e-commerce on the functional areas of an organisation. | 10 |
| 10. | (a) | Evaluate the use of a Gantt chart to improve a manager's time and task management. | 4 |
| | (b) | Discuss the use of Belbin's team roles in improving the effectiveness of a group. | 6 |

[END OF QUESTION PAPER]

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