



2011 Business Management

Higher

Finalised Marking Instructions

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2011 Business Management Higher

Section 1

1. *Identify the problems faced by Setanta. You should use the following headings. (Please identify problems only, solutions will not be credited.)*

- *Marketing*
- *Finance*
- *Operations*
- *External Factors*

Max 3 per area

Marketing

- Neither Setanta Ireland nor Setanta International were heavily marketed over the previous 5 years OR low customer awareness of Irish and International brands.
- Sky and ESPN have vastly superior marketing structures (competition)
- This resulted in the SPL cancelling its agreement with Setanta.
- Games secured by Setanta were difficult to market to subscribers.

Finance

- Failed to meet a scheduled £3m payment to the Scottish Premier League at the end of season 2008/09.
- Rescue talks designed to secure new funding collapsed.
- Setanta was forced to suspend the collection of subscription payments from customers in the UK.
- The re-negotiations made some improvements but they were insufficient to convince the investors to part with their funds.
- Lack of income due to not enough subscribers.
- Setanta massively over bid to secure certain broadcasting rights.

Operations

- Setanta's camera work left many armchair fans unhappy.
- Showing replays of top league games ahead of live lower league games left subscribers disappointed.
- Fewer cameras and crews at games meant less angles shown during matches.
- The studio commentators seemed to be less comfortable in front of the camera.
- Interrupted broadcast due to poorer technology.

External Factors

- Sky has always been willing to pay whatever it takes to maintain its dominance of the Premiership.
- Many organisations have now switched to rival broadcasting companies, such as Sky, to broadcast their TV advertisements.
- Sky have a virtual monopoly on football.
- The recession resulted in many viewers cancelling their subscriptions and cutting back on luxuries like satellite TV.

A number of the problems are acceptable under one or more headings.
Be aware of repetition between headings and do not credit.

(10)

Max 3 if no headings

2. *Describe methods an organisation could use to encourage positive employee relations.*

- Quality Circle is a group of workers who come together with management to discuss an issue or how to improve a situation.
- Worker Director is when a lower level employee is given a place on the Board of Directors.
- Worker Councils are made up of an equal number of employees and managers meeting to discuss issues.
- Open Door Management Policies – managers will meet with employees at any appropriate time.
- Participative Management Policies allow the employees to participate in the decision making of the organisation by managers consulting them and acting on their views.
- Empowerment is when employees are given the power to make certain decisions without consulting the manager each time.
- Appraisal is when staff meet with a line manager to discuss their progress and set targets for the future.
- Negotiation (description required).
- Consultation (description required).
- Arbitration (description required).
- Training (description required) – 1 method only to a max of 5.
- Opportunities for promotion.
- Trade Union/Professional association recognition.
- Financial Rewards (1 method only to a max of 5).

(6)

Must have 2 methods

Max 5 for any method

Do not accept description of effects – advantages/disadvantages

3. *Describe financial information that stakeholders could use to assess an organisation's financial position.*

- Description of appropriate ratios – 1 mark per ratio, no mark given for naming the ratio (max 2 for formulae).
- Trading account shows the profit and loss made from buying and selling stock over a period of time.
- Profit and loss account shows the overall profit or loss over a specified time period.
- Balance sheet which shows the financial position of a business at an exact moment in time.
- Cash flow statements are used to show the income and expenditure forecast over a period of time.
- Share prices show the current value of the organisation.

(5)

Award a mark for a proper description of any other appropriate financial information

Do not accept the use of financial information

No max – can gain all 5 marks from one piece of financial information

If a phrase – Balance Sheet shows assets and liabilities – 1 mark

Can develop assets and liabilities further to gain extra marks BUT would lose the generic mark

If just examples given of eg Fixed Assets – no extra mark

4. *Describe and justify 3 market research techniques that an organisation could use to assess customer satisfaction. (A different justification should be used each time).*

- Telephone surveys are used by organisations to call customers and gain their views. Instant feedback can be given.
- Postal survey where questionnaires are posted out to customers who complete them and return them to the organisations. Could send these out to all customers, or customers in selected areas, gaining their opinions.
- Personal interview where people are stopped in the street and asked questions. Can clarify any questions to aid understanding. Allows 2 way communication.
- Secondary information such as statistics on the number of subscribers to satellite TV. Easily accessible. (Max 1 for secondary information.)
- Online survey.
- Interactive surveys.
- Focus group.
- Hall test.
- Test market.

(6)

If label does not match the description and justification – no marks

5. *Explain the effects of delayering on an organisation.*

- Cuts out a complete level of management within the organisation which will reduce the salaries paid out by the organisation.
- Managers have an increased span of control which may result in increased workload for the manager
 - increased stress for the manager
 - staff having to wait to meet with a manager.
- Communication should be improved and quicker to pass on which means the organisation will be more receptive to changes in the marketplace.
- Empowers the staff which can lead to increased motivation.
- Fewer promotion opportunities for staff which could lead to them leaving the organisation to gain promotion.

(4)

6. (a) *Distinguish between a wide area network and a local area network.*

- A LAN links computers on the same site whereas a WAN links computers outwith the one location.
- A WAN uses external communication links and a LAN uses an internal server to link the computers.
- A WAN will have more terminals linked to it than the LAN.

(2)

(b) *Describe and justify the use of 4 types of information. (A different justification should be used each time).*

- Written information is in the form of letters and memos – used for information that needs to be referred to at a later date.
- Pictorial information is in the form of pictures or photographs – can enhance a document and make it stand out more.
- Oral information is in the form of verbally passing on information in meetings or telephone calls – used to quickly or simply pass on information and make a point.
- Graphical information is in the form of charts or graphs – can often be a good way to display numbers and figures or show trends.
- Numerical information is in the form of numbers or statistics – can be good for showing comparisons or predictions of sales figures.

Accept

- Quantitative
- Qualitative

(8)

If label does not match description and justification – no marks

7. *Discuss the use of quality standards for an organisation.*

- Proves the product/service has met an agreed level of quality.
- Can be used as a marketing tool to gain a competitive advantage.
- Will give customers confidence when purchasing the product.
- May ensure repeat sales of the product.
- Involves a very lengthy and time consuming process.
- Agreed standards need to be maintained at all times/.
- Will require thorough checks and audits by BSI staff to prove the standards have been met.
- Rigorous record keeping of purchases and production must be kept.
- Higher prices can then be charged.
- Less customer complaints/less returns.
- Limits waste.
- Increase sales/repeat sales/gain sales from competitors.

(6)

Discuss invites the use of positives and negatives but can gain all marks from one side only

8. *Describe the benefits of an organisation of using interviews prior to appointing a new employee.*

- Interviews are used to gather information on potential employees abilities.
- Allows the organisation to compare candidates in a pressure situation.
- Gives the candidates a chance to respond to questions.
- Interviewers can compare notes to get a consensus on who the best candidate was.
- Interview styles can change allowing the organisation to examine potential candidates under different situations, ie, long leet and short leet interviews, group interviews, presentations.

(3)

[END OF SECTION ONE]

Total 50 marks

Section 2 SOLUTIONS

1. (a) *Distinguish between a strategic decision and a tactical decision.*

- Strategic decision is long term whereas a tactical decision is medium term.
- Strategic decision is made by directors/senior managers but a tactical decision is made by heads of department or middle managers.
- Strategic decisions carry high levels of financial risk whereas tactical decisions carry less of a financial risk.
- Strategic decisions shape the main objectives of an organisation whereas the tactical decisions help to put the strategic decisions into place.

(3)

(b) *Explain the advantages of staff training for an organisation.*

- Allows for a wider pool of skills to be available to the organisation which can mean staff can carry out a wider range of tasks
 - cover for absent colleagues.
- Is motivational for staff and should mean they are happier at their work which will improve performance.
- Can improve the quality of product/service provided which will result in improved customer relations.
- Improves the image of the organisation which means they will attract a better calibre of worker
 - more people wishing to work for them.
- Might reduce the number of accidents at work which will reduce any compensation or injuries to employees/customers.
- It may be required to introduce change and will make the staff more acceptable to change
 - this will allow the organisation to be more flexible in the marketplace.

(4)

(c) *Describe the role of a manager in staff appraisal.*

- Plan out the timing and purpose of the appraisal interview in advance to ensure the employee is fully aware of the purpose.
- Organise a suitable venue and time.
- Control the meeting to allow the employee to have an input into the appraisal.
- Command – may have to tell the employee that the meeting is taking place if they are unhappy with the appraisal and against it.
- Co-ordinate the appraisal meetings before and after to ensure appropriate feedback is given.
- Delegate some meetings – peer to peer appraisal – or junior managers for experience.
- Motivate the staff with suggestions during the appraisal and give praise for any appropriate work they have carried out and targets met.

POCCDM does not need to be used to gain marks but solutions must be linked to appraisal. Watch for repetition if POCCDM is not used.

(5)

General points regarding manager's role in appraisal – max 2

(d) *Discuss the use of just in time production.*

- Capital is not tied up in stock and can be used elsewhere in the organisation.
- There is less warehouse space needed for stock.
- Less stock is stored which should result in less wastage.
- Theft will be reduced as stock is more tightly controlled.
- Changes in fashion or trends will have less of an impact.
- If stock does not arrive production can stop.
- May lose out on bulk buying discounts.
- There will be an increase in delivery costs as more frequent transportation exists.
- There is a high dependence on suppliers.
- May increase administration costs due to more ordering.
- Stock may have to go straight into production and may not be time to check it for quality.
- Production not started until order arrives – this can improve cash flow.

(6)

(e) (i) *Explain the effects that 3 political factors could have on an organisation. (A different effect should be explained each time.)*

- Legislation – any appropriate law with an appropriate effect, ie, new laws on sale of alcohol have to be complied with or face a fine from the government.
- Taxation rates may change which will affect the profitability of an organisation.
- Level of NHS funding may affect the number of or the prices charged by private hospitals.
- Government initiatives in education have meant that private public partnerships have allowed companies to bid to build new schools.
- Credit any relevant government policy with an appropriate explanation of the affect on the organisation, ie, giving loans to banks to help with credit crunch in 2009.

(3)

Watch repetition – eg legislation is one factor only

(ii) Describe **4** external factors (other than political) that could have an impact on an organisation.

- Economic factors such as a recession
 - interest rates
 - inflation.
- Social factors such as changes in trends and fashion
 - changes in patterns of employment.
- The introduction of new technology which is continually changing.
- Competitive factors such as the prices charged by a similar organisation.
- Environmental factors such as the weather/flooding.

(4)

Total 25 marks

2. (a) Describe and justify **3** sources of finance available to a partnership. (A different justification should be used each time).

- Bring in another partner who will add their own/new capital to the organisation – no interest to be paid or repayment of funds (accept any advantage of a partnership).
- Bank loan – over a period of time paid back (in instalments) with interest – allows for the payments to be spread out.
- Bank Overdraft – a smaller amount for shorter period of time borrowed from bank – is useful when only needed for a short period of time and is relatively easy to arrange.
- Grant – might be possible to receive a government grant under certain conditions – does not have to be paid back.
- Retained profits from previous years – does not involve any repayments or interest.
- Venture capital will provide finance when banks thinks it is too risky – often good for riskier investments or ideas.
- Hire Purchase.
- Leasing.

Award a mark for any appropriate description and one mark for a justification of using any appropriate source of finance.

(6)

If label given – description and justification must match to gain marks

(b) *Explain the reasons managers use accounting ratios.*

- To compare current performance with previous years to see if there is any improvement.
- To make comparisons with similar size organisations in similar industry which allows them to analyse if the organisation is making appropriate GP% or NP%.
- To measure an organisation's profitability which allows for better control of expenses.
- To show if an organisation has the ability to pay short term debts which gives warnings to managers of the problems that could happen with higher than average debt ratios.
- To measure an organisation's efficiency which allows for action to be taken against inefficient areas to improve on them.
- Highlight trends so managers can be aware of profitable periods or problem periods, ie, seasonal demand.

(4)

(c) *Describe the main features of the Data Protection Act 1998.*

- An organisation can only hold information for a specific lawful purpose.
- They must register this purpose with the Data Protection Registrar.
- Individuals have a right to access the information held about them.
- Compensation may require to be paid if the information is inaccurate.
- The information must be accurate (needs description).
- The information must be up-to-date.
- There must be appropriate security measures in place to safeguard the information.
- Information should only be held for as long as necessary.

(5)

Accept other features – adequate and relevant, etc

(d) (i) *Explain the effects that branding its products could have on an organisation.*

- Ensures products are easily identified by consumers and they will purchase their product and not a rivals.
- To launch new products easier as the brand name will mean customers trust new products if they have previously used a different/old product.
- Higher prices can be charged which should result in better profits for the organisation.
- Will create brand loyalty and customers will repeatedly purchase the product.
- Can mean high advertising costs to promote the brand which may negatively affect overall profits.
- However, once successful in the market place can allow organisations to save money on marketing and in turn increased profitability.
- Can be used to create an exclusive image like ASDA and George which means customers can only purchase that brand from the specific organisation.

(5)

(ii) *Describe the stages that a product might go through prior to being launched onto the market.*

- Generate the product/service through research and development.
- Find the appropriate finance for the new product.
- Decide if product/service meets legal requirements.
- Analyse if it is technically possible that it can be produced.
- Produce a prototype of the product/service.
- Launch the prototype on a test market in a smaller geographical location.
- Make any required alterations from the feedback given or data researched.
- Advertise the product nationwide/set a price/establish place – max 1.

(5)

Total 25 marks

Testing/retesting – 1 mark only

Alterations – 1 mark only

3. (a) *Describe methods of growth.*

- Vertical integration is when organisations at different stages of production join together.
 - Forward vertical is when an organisation takes over or merges with a customer.
 - Backwards vertical is when an organisation takes over or merges with a supplier.
- Horizontal integration is when organisations at the same stage of production join together.
- Diversification is when an organisation operates in many different markets.
- Organic growth is when a firm grown from internal sources.
 - Increase in the number of outlets.
 - Increase in the number of staff it employs.
 - Opening a franchise.
- Mergers.
- Takeovers.
- Lateral.
- Conglomerate.

Watch for repetition

(6)

Max 5 for any one method

If label given – description must match otherwise no marks

Do not accept advantages and disadvantages

(b) (i) *Explain the impact that recent trends in retailing have had on organisations.*

- Increase in customers shopping at large retail parks have meant that organisations are moving from high street stores to retail parks.
- Increase in large superstores have meant many small local shops going out to business.
- Vast use of e-commerce has meant organisations now must have websites with access to online purchasing.
- Changes to opening hours means many organisations have to pay overtime to staff to work on Sundays and late evenings.
- Large supermarkets selling a wide range of products has meant customers needs can be catered for under the one roof.
- Increase in discount stores selling products at discounted prices has meant competitor organisations have had to reduce prices in order to keep customers.

(4)

ID a trend and give the impact on an organisation

ID an impact and describe the impact on an organisation

(ii) *Describe the reasons why some manufacturers sell their products to retailers rather than directly to customers.*

- Retailers are located closer to the customer.
- They often have an established customer base.
- They can hold stock.
- Have trained sales staff who are knowledgeable about the products.
- Will attract customers by offers of credit facilities.
- Can offer appropriate after sales services.
- Retailers buy in bulk.
- Reduced delivery cost.
- Retailers paying for advertising.
- Products displayed attractively by the retailer.

(4)

(c) *Explain advantages and disadvantages of becoming a public limited company.*

- Shares can be sold on the stock exchange meaning large amounts of finance can be raised.
- PLCs often dominate their market meaning they can force smaller organisations out of business
 - dictate market prices.
- Lenders are more likely to give money as they have greater confidence it will be paid back.
- Investors will have limited liability meaning PLCs will find it easier to attract shareholders.
- Initial set-up costs will be high resulting in poorer profit results for the first few years.
- There is a large amount of legislation which must be complied with or the company may be fined
 - have legal action taken against them.
- PLCs have no control over who buys shares which might mean investors can plan a hostile takeover.
- PLCs are required by law to publish annual accounts which will be costly to produce.

(5)

(d) (i) *Describe the main characteristics of an entrepreneurial structure.*

- One senior member of staff makes all the important decisions. (Accept a few or core members)
- Decisions are therefore made quickly.
- Staff are very rarely consulted on decision making.
- Stifles staff initiative as they are not consulted.
- Is mainly used in smaller organisations.
- Employees know who they are accountable to.
- May place over-reliance on key members of staff.

(3)

(ii) *Distinguish between a centralised structure and a decentralised structure.*

- In a decentralised structure decision making is delegated to departments whereas in a centralised structure it is made by head office.
- In a decentralised structure staff are more motivated due to empowerment whereas in a centralised structure staff can be de-motivated due to not being consulted.
- In a decentralised structure senior directors have less responsibility whereas in a centralised structure senior directors carry all the burden of decision making.
- Decentralised is often seen as being used in a flatter structure where as centralised tends to exist in hierarchical structure.
- It is harder to promote a corporate image in a decentralised structure than in a centralised structure.
- In a decentralised structure decisions can be made which only benefit one department but in a centralised structure decisions will be made to suit the whole organisation.

(3)

Total 25 marks

4. (a) *Compare the use of functional grouping with product grouping.*

- Staff with similar expertise work together in functional grouping but in product grouping staff are organised around a specific product or service and will have different areas of expertise.
- The organisation will have functional departments which service the whole organisation whereas in product grouping each functional area will be responsible for a specific product or service only.
- In both methods departments can be more concerned with their own results than the organisation as a whole.
- Also departments may compete against each other in both forms of grouping.
- In product grouping it is easier to identify areas that are performing well whereas in functional grouping results tend to be for the organisation as a whole.
- In product grouping each department is more responsive to change but in functional grouping the organisation can become very large and unresponsive.
- In functional grouping staff will know exactly who to turn to but in product grouping this may not be the case.
- In functional grouping the organisation will have a clear structure but in product grouping the structure may be less clear and line relationships less clear.

(5)

(b) *Explain internal problems that can exist when managers try to make effective decisions.*

- Finance may be restricted which might mean the organisation cannot afford to implement the best decision.
- Staff may not agree with the decision and resist the change making it less effective.
- The organisation may have policies in place that are restrictive and the decisions may need to be altered to suit policies.
- The decision may be constrained by the lack of technology and mean that new technology needs to be purchased or decisions shelved.
- Managers may not have the appropriate skills or initiative to make the best decisions and may be unable to cope with complex decisions or situations resulting in a poor decision being made
 - quality of information
 - level of risk willing to take.

(5)

Max 2 for any internal area

(c) *Describe different payment systems available to an organisation.*

- Time rate – workers are paid an amount of money per hour worked.
- Piece rate – workers are paid an amount of money per item produced.
- Overtime – once a set number of hours are worked any hours over that time is paid at a higher rate.
- Commission – workers are paid a % of the amount of overall sales.
- Bonus rate – a basic wage is paid plus a bonus for achieving an agreed level of output/profit.
- Flat rate/salary – workers are paid a set amount per month/year.
- Contract work – an agreed payment is made for a set amount of work/job.

At least 2 payment systems must be described.

(5)

Max 4 for any system

Accept advantages and disadvantages as part of the description – difficult to differentiate between features and advantages and disadvantages

(d) (i) *Describe and justify 3 forms of testing (other than interviews) used in the selection process. (A different justification should be used each time.)*

- Attainment – a candidate is given the chance to demonstrate their skills; would be used to test skills in ICT or to measure skills against a set standard.
- Aptitude – assesses a candidates personal abilities and skills; would be used to decide if the candidate had the required skills for a job, ie, numerical skills for an accounts vacancy.
- Intelligence/IQ – measures a candidates mental ability; used for jobs where candidates may be solving problems.
- Psychometric/psychological – assesses a candidates personality; used to assess the candidates mental suitability for a job.
- Medical – measures a candidates physical attributes; used for jobs such as the fire brigade that require certain levels of physical strength.

(6)

Medical/Health/Fitness – max 1

If label given – description and justification must match to gain marks

(ii) *Discuss the use of internal sources of recruitment.*

- The vacancy can be filled relatively quickly.
- Staff can be motivated if they see there is the chance of promotion within the organisation.
- The managers will already know if the employee has the required skills for the job.
- Allows the organisation to save on induction and training costs.
- Reduced costs of advertising.
- Can mean there is a lack of new ideas brought into the organisation.
- The number of potential candidates is greatly reduced.
- When a vacancy is filled it will mean another one opening up and then requiring to be filled.
- Can cause tension amongst staff.

(4)

Total 25 marks

5. (a) *Explain the benefits of using Information Communications Technology for a multinational organisation.*

- Will improve communication through use of:
 - e-mail which will speed up sending files to colleagues throughout the world
 - can have attachments sent to colleagues to view
 - use of videoconferencing will allow meetings to take place without travelling.
- Increased access to information through the use of the Internet and access to worldwide sources will allow organisations to look at competitors websites
 - find suppliers anywhere in the world
 - access information from anywhere in the world.
- Increases productivity and speed of work as computers often work faster than humans.
- File sharing can be carried out anywhere in the world through the organisations network which will improve decision making as files can be shared and worked on at same time by colleagues anywhere in the world.
- Saves on costs
 - travel costs with use of videoconferencing
 - labour costs as use of computers will reduce labour requirements.
- Improves quality of product or service
 - computers will produce a consistent quality each time
 - reducing the number of errors and wastage.
- Allows for more flexible working with staff as they can work from home and stay in contact via ICT – better relationships.
- E-commerce/e-tailing

(5)

(b) *Describe factors an organisation should consider when trying to encourage a positive corporate culture.*

- The organisation needs to take into account the ideas/principles of the owners.
- They need to design appropriate logos, motifs and uniforms.
- They need to consider a corporate design for shops and outlets.
- They have to make staff aware of the corporate culture and image
 - this can be expensive
 - may involve staff training costs.
- Will have large cost implications for changing logos, uniforms etc throughout an organisation.
- May require the organisation to hold launch events or press conferences.
- Clearly defined policies and procedures.
- Empowerment/employee views

(5)

(c) *Explain the advantages to an organisation of using a structured decision making model.*

- Time is taken to go through the structured model and therefore no rash decisions are made.
- All necessary information is gathered which should allow for a fuller more comprehensive analysis of the information before a decision is made
 - decisions are therefore based on relevant and reliable information.
- Alternative solutions are looked at before a decision is made meaning the first solution is not accepted as the best and implemented.
- More ideas should be found as the process is followed and throws up much more ideas from employees.
- The decision must be communicated and this means all relevant stakeholders should know the decisions of the organisation and not be missed.
- The final decision is monitored and evaluated which allows for corrective action and an analysis of how effective the decision was.

(5)

(d) *Describe reasons why an organisation would use cash budgets.*

- To highlight periods when cash flow will be a problem.
- This will allow corrective action to be put in place.
- Can be used to secure loans or to show investors (1 only).
- Is used to make comparisons between actual expenditure and targeted.
- Can show periods that the organisation will have cash available for major investment or purchases of fixed assets.
- Is used to give departments a budget to focus on (targets).
- Used to monitor spending throughout the organisation.
- Planning.
- Delegating responsibility to junior managers.
- Measuring performance.

(5)

General description of forecasting/planning – 1 max

(e) *Explain the advantages and disadvantages of using job production.*

- Organisations can produce products to meet exact customer requirements
 - this will mean increased customer satisfaction
 - will improve an organisations competitiveness if they are only one that can provide non-standard products
 - a higher price can then be charged.
- It allows the customers to change the design during the process which allows for alterations to meet customers' needs.
- The work is not repetitive and as such the employees will be more motivated with increased job satisfaction.
- The wages paid will need to be higher to reflect staff skills and this will increase the overall final price of the product.
- There can be higher than average research costs which again will be reflected in the price charged to the customer which may be off-putting.
- Costs are high as a variety of machinery/tools are required which may often be laying idle.
- Lead times can be lengthy and this means that customers cannot simply walk in and purchase the product, again this may be off-putting.

(5)

Total 25 marks

[END OF MARKING INSTRUCTIONS]