

X234/301

NATIONAL
QUALIFICATIONS
2007

MONDAY, 14 MAY
1.00 PM – 3.30 PM

BUSINESS
MANAGEMENT
HIGHER

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

Read all the questions carefully.

100 marks are allocated to this paper.

50 marks for Section **One** and

50 marks for Section **Two**.

Answers are to be written in the answer book provided.



SECTION ONE

This section should take you approximately 1 hour 15 minutes.

Read through the following information, then answer the questions which follow.

OBAN HARBOURING FEARS OVER TOURISM

THE PAST

Thirty years ago the police used to stop throngs of tourists at Connel advising them that there was not a bed to be had in Oban, the famous Scottish coastal resort, just a few miles further on. Oban's stake in the tourist business was based on its harbour and the surrounding islands.

There are huge hotels along the beachfront and cruise ships and yachts used to fill the bay. It became the main point of departure for many of the islands and trips to Iona and Staffa were promoted. These trips were very popular with tourists. Caledonian MacBrayne operated ferries from Oban to Mull and other islands off the West Coast of Scotland. Many large bus tour operators frequently stopped in the town.



THE PRESENT

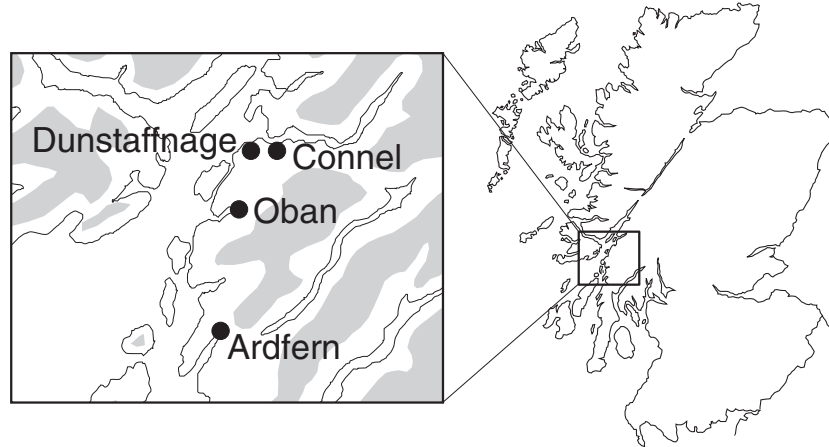
There are now major concerns amongst local business people that the town's main asset, its waterfront, is not being properly utilised. It is claimed that despite being the natural centre for yachting in Scotland, Oban is missing out on the lucrative trade from yachters because of a lack of vision from the local council. It is felt that not enough is being done to attract tourists from the UK and worldwide; much more promotion needs to be carried out. Oban also has a severe lack of car parking facilities and access to the North Pier is very difficult for cars and buses.

Local business leaders agree it is a disgrace that Oban's harbour has nowhere for yachters to tie up, walk ashore and spend their money. This could be worth £15 million a year to the Highlands and Islands.



OBAN YACHTS

Tony Cox, of Oban Yachts, based on Kerrera provides 56 fully serviced berths with a marine repair and maintenance service, plus a ferry to Oban. Although he is busy, he believes his business and Oban could be even busier. There are only half a dozen moorings in Oban itself. This means Oban loses out on yachters, who spend their money at nearby Dunstaffnage and Ardfern, which can take about 140 yachts each.



Oban Yachts brings over £300,000 into the local economy each month during the summer season. Tony Cox has invested over £750,000 into Oban Yachts over the last 3 years. However, until he sees action from the local council he is unwilling, like many other local businesses, to invest more money. Tony also has difficulties as he is never certain when busy spells can occur and has to rely on the goodwill of staff to work longer hours at short notice.

EEUSK RESTAURANT

Alan MacLeod, who runs “The Eeusk Restaurant” on the North Pier, is also concerned for the future of tourism in Oban. He feels that there needs to be more attractions to entertain the tourists. Alan insists this would help reduce unemployment in the area, however, there is a lack of experienced workers in Oban. Few people want to work in the tourist industry as it mainly provides seasonal work. Staff are given short term contracts which make the jobs in restaurants and hotels less appealing. Most of the staff in Alan’s restaurant are students or part-time workers resulting in a high staff turnover. Alan frequently needs to provide training for the new employees which can be costly.

LOCAL COUNCIL

The local council is taking steps to improve the facilities in Oban. The North Pier is to be developed to include new toilet and showering facilities, with tourists in mind. New restaurants are also planned for the North Pier. The local council is carrying out consultation with stakeholders in an attempt to highlight problems which may have been overlooked.

[Turn over

OTHER ISSUES

One factor that the local council cannot overcome is the weather. The West of Scotland is notorious for rainy, wet summers. This does not appeal to tourists and many people prefer to holiday in a warmer climate. This is a proven stumbling block as with any spell of hot weather the number of visitors to Oban increases. During the warm spell in July and August 2005, the Tourist Information Centre reported that record numbers were visiting the Centre, over 6,200 in one day alone. Many of these tourists were trying to find somewhere to stay and Oban was back to the good times, with not a bed to be found in any hotel or bed and breakfast establishment!

With the drop in tourism over the past few years, linked specially to the lack of American visitors, due to the rise in terrorism in Europe, it is difficult for local businesses to survive. Hopefully, Oban can again become the place to visit during the summer months. The local business community would certainly flourish as attractions, such as McCaig's Folly, Gylen Castle on Kerrera and the Argyllshire Gathering are second to none.



Adapted from an article in *The Herald*, 28 August 2005, by David Ross

QUESTIONS

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

Answer ALL the questions.

1. Identify the problems of the Tourist Industry in Oban. You should use the following headings. (Please identify problems only, solutions will not be credited.)
 - Marketing
 - Finance
 - Human Resources
 - External Factors

10

2. The local council are carrying out a consultation exercise with stakeholders. Describe how **4** different stakeholders of the local council could influence the council's future plans.

4

3. Alan MacLeod, the owner of The Eeusk Restaurant, is an entrepreneur. Describe the role of an entrepreneur in a business.

4

4. A gap in the tourist market for yachters exists in Oban. Tony Cox, owner of Oban Yachts, could attempt to target this market.
 - (a) Explain the term niche marketing.

2
 - (b) The local council are trying to attract tourists to Oban with worldwide marketing of the area. They will need to consider many external factors that could influence the industry.

Describe external factors that could influence the effectiveness of a marketing campaign.

6

5. (a) Explain why firms can have a healthy profit but experience cash flow problems.

4

 (b) Describe how an organisation could make use of:
 - a production budget
 - a sales budget.

4

6. (a) Describe the changing patterns of employment that have occurred in the UK during the past 20 years.

4

 (b) The Eeusk Restaurant has a problem with high staff turnover. This requires frequent induction training.
 - (i) Describe the term induction training.

1
 - (ii) Outline the benefits of induction training.

4

SECTION ONE (continued)

- | | |
|---|-------------|
| 7. Some organisations use a flat rate system to pay employees. Describe other types of payment systems. | 4 |
| 8. Many organisations choose to delayer. Explain the benefits of delayering to an organisation. | 3 |
| | (50) |

[*END OF SECTION ONE*]

SECTION TWO

Marks

This section should take you approximately 1 hour 15 minutes.

Answer TWO questions.

1. (a) Organisations continually try to obtain primary information about the market in which they operate.
Describe the advantages and disadvantages of **3** types of field research an organisation could use to obtain primary information. **8**
- (b) Explain the various means of sampling that could be used to obtain a cross section of views when carrying out market research. **4**
- (c) (i) Discuss the ways in which divestment and demerger can assist the growth of an organisation. **4**
(ii) Describe other methods of growth. **5**
- (d) Describe how organisations such as The Prince's Trust, banks and Local Enterprise Agencies could provide assistance to a new business. **4**
(25)
2. Organisations group their activities in a number of different ways.
- (a) Distinguish between the following **3** types of organisational groupings:
• Product/Service Grouping
• Customer Grouping
• Technological Grouping. **9**
- (b) Public sector organisations are owned and controlled by Central Government.
(i) Describe **2** strategic objectives of a public sector organisation. **2**
(ii) Identify **2** sources of funding for a public sector organisation. **2**
- (c) Employee Representative Groups, (eg Trade Unions) use the power of collective bargaining for the benefit of their members. Describe **3** advantages of collective bargaining. **3**
- (d) Various forms of testing are now being used by organisations to ensure the best candidates are selected for a job vacancy.
Discuss the different types of testing that an organisation could use to select the best candidate. **6**
- (e) Describe the benefits to an organisation of having a strong corporate culture. **3**
(25)
3. (a) Distinguish between the following financial terms.
• Gross Profit and Net Profit
• Fixed Assets and Current Assets
• Debentures and Shares **6**

[Turn over

3. (continued)

- (b) (i) Describe the main features of the following legislation.
- Health and Safety at Work Act 1974
 - Data Protection Act 1984
 - Computer Misuse Act 1990
- 5
- (ii) Explain the impact of The Freedom of Information Act 2002 on an organisation. 2
- (c) Manufacturers use short term promotional measures to boost sales of products or services to retailers (into the pipeline promotions). Identify and describe **2** of these measures. 4
- (d) Discuss different forms of direct selling available to organisations. 8
- (25)**

4. Managers try to make effective decisions.

- (a) Describe internal constraints that can make decision making difficult. 6
- (b) Describe ways of using ICT to help decision making. 6
- (c) Discuss the advantages and disadvantages of a centralised stock control system. 6
- (d) (i) Describe and justify the use of the following methods of production.
- Job
 - Flow
- 4
- (ii) Justify the choice of the following methods of transporting goods.
- Road
 - Rail
 - Air
- 3
- (25)**

5. For firms to survive in the market place they must provide quality products and services.

- (a) Explain measures organisations can take to ensure they produce a quality product or service. 9
- (b) Product endorsement is when firms pay famous people to promote their product or service. Describe the advantages and disadvantages of product endorsement. 5
- (c) Distinguish between a strategic and tactical decision and give an example of each. 6
- (d) Firms use ratios to analyse their Annual Accounts.
- (i) Describe reasons for using ratios to analyse performance. 2
- (ii) Explain the limitations of ratio analysis. 3
- (25)**

[END OF QUESTION PAPER]

ACKNOWLEDGEMENTS

Section One – Article by David Ross is adapted from The Herald Seaside Special from The Herald, 22 August 2005. Reproduced by kind permission of The Herald, Scottish Media Newspapers Ltd.