

# X234/301

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NATIONAL  
QUALIFICATIONS  
2011

WEDNESDAY, 25 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.**

### THE DEMISE OF SETANTA

The Irish pay-TV company Setanta was placed into administration after rescue talks, designed to secure new funding, collapsed. Setanta officially ceased to broadcast in the UK in June 2009 and all of its UK staff were made redundant.

Since its inception Setanta and its financial backers had invested hundreds of millions of pounds buying UK and international sporting rights. With the hard work and dedication of its staff, a pay-TV broadcaster was created which entertained people in 3 million homes with top-class sport. Now the initial investors have lost their capital and have been left wondering what went wrong.



The first indications of financial difficulties came to light at the end of the season 2008/09, when Setanta failed to meet a scheduled £3m broadcasting rights payment to the Scottish Premier League (SPL). This resulted in the SPL cancelling its agreement with Setanta. The SPL was one of a number of sporting organisations to count the cost of the loss of Setanta's broadcasting revenue.

As a result of government legislation Setanta was forced to suspend the collection of subscription payments from customers in the UK with immediate effect. It would have been illegal for Setanta to continue to collect existing direct debits or take on new customers knowing that administration loomed.

Some of the existing Setanta investors had stated they were prepared to commit significant funds to the business if it could improve its operating performance. This meant existing contracts having to be re-negotiated. The re-negotiations made some improvements but they were insufficient to convince the investors to part with their funds.



Setanta's founders had been left focusing on trying to rescue the Irish and North American operations, which were believed to be making a modest profit. The company continued to trade under Setanta Ireland and Setanta International. Neither Setanta Ireland nor Setanta International had been heavily marketed in the UK over the previous 5 years. Setanta concentrated on its UK base during this spell resulting in a low customer awareness of the Irish and International brands.

#### **COMPETITION – SKY SPORTS AND ESPN**

Setanta operated in a highly competitive market, with Sky and the Disney owned broadcaster ESPN, both huge rivals. These rivals were prepared to bid billions of pounds to secure the rights to specific sporting events, including Sky's broadcasting of the Premiership football in England. Setanta struggled to match the bidding of its rival broadcasting giants. Both Sky and ESPN also have vastly superior marketing structures which secure huge numbers of subscribers each year.



A lack of subscription income meant that Setanta was unable to make the payments to the governing bodies of the sports to which it held the broadcasting rights. Furthermore, the recession resulted in many viewers cancelling their subscriptions and cutting back on luxuries like satellite TV. With only 1.2 million subscribers in the UK, Setanta was well short of the 1.9 million subscribers it needed to break even.

In an attempt to attract new subscribers, Setanta massively overbid to secure certain broadcasting rights. This included a £390 million bid for a 3 year deal for 46 English Premiership football games per year. The games secured by Setanta were less significant than the glamour games bought by Sky and therefore much more difficult to market to subscribers. Losing out on these glamour games had a double impact on Setanta's revenue as advertisers pulled out from agreed marketing and advertising deals.

The logo for Sky Sports, featuring the words "SKY" and "SPORTS" in a bold, white, sans-serif font, separated by a vertical line. The logo is set against a dark, rectangular background with a subtle gradient.

Setanta seemed to compromise on what games were shown. They showed replays of top league games ahead of live lower league games, leaving subscribers unhappy. Setanta's camera work and technology also left many armchair fans disappointed. Setanta had fewer cameras and crews at games meaning less angles shown during matches. The use of poorer technology compared to their rival often resulted in interrupted broadcasts. Setanta's studio commentators seemed to be less comfortable in front of the camera than the Sky Sports presenters. One customer commented "I am shocked and disgusted with Setanta's (so called) 'sports' coverage". At a time when customer satisfaction should have been paramount, Setanta was failing to captivate the armchair fans.

The big winner in Setanta's demise was Sky Sports, who now have the sole broadcasting rights of the much sought after English Premiership football plus the SPL. With a virtual monopoly on football, companies are more than willing to pay Sky to show their advertisements.

**Based on an article in [www.guardian.co.uk](http://www.guardian.co.uk)**

## 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.**

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|--|----------------------|
| <p>1. Identify the problems faced by Setanta. You should use the following headings. (Please identify problems only, solutions will not be credited.)</p> <ul style="list-style-type: none"> <li>• Marketing</li> <li>• Finance</li> <li>• Operations</li> <li>• External Factors</li> </ul> | <b>10</b>            |
| <p>2. Describe methods an organisation could use to encourage positive employee relations.</p>   | <b>6</b>             |
| <p>3. Describe financial information that stakeholders could use to assess an organisation's financial position.</p>   | <b>5</b>             |
| <p>4. Describe and justify <b>3</b> market research techniques that an organisation could use to assess customer satisfaction. (A different justification should be used each time.)</p>   | <b>6</b>             |
| <p>5. Explain the effects of delayering on an organisation.</p>  | <b>4</b>             |
| <p>6. (a) Distinguish between a wide area network and a local area network.</p> <p style="padding-left: 20px;">(b) Describe and justify the use of <b>4</b> types of information. (A different justification should be used each time.)</p>  | <b>2</b><br><b>8</b> |
| <p>7. Discuss the use of quality standards for an organisation.</p>  | <b>6</b>             |
| <p>8. Describe the benefits to an organisation of using interviews prior to appointing a new employee.</p>   | <b>3</b>             |
|  | <b>(50)</b>          |

[END OF SECTION ONE]

## SECTION TWO

**This section should take you approximately 1 hour 15 minutes.**

**Answer TWO questions.**

- |    |     |   |             |
|----|-----|---|-------------|
| 1. | (a) | Distinguish between a strategic decision and a tactical decision.   | 3           |
|    | (b) | Explain the advantages of staff training for an organisation.   | 4           |
|    | (c) | Describe the role of a manager in staff appraisal.  | 5           |
|    | (d) | Discuss the use of just in time production.   | 6           |
|    | (e) | (i) Explain the effects that <b>3</b> political factors could have on an organisation.<br>(A different effect should be explained each time.) | 3           |
|    |     | (ii) Describe <b>4</b> external factors (other than political) that could have an impact on an organisation.                                  | 4           |
|    |     |   | <b>(25)</b> |
| 2. | (a) | Describe and justify <b>3</b> sources of finance available to a partnership.<br>(A different justification should be used each time.)         | 6           |
|    | (b) | Explain the reasons managers use accounting ratios.   | 4           |
|    | (c) | Describe the main features of the Data Protection Act 1998.   | 5           |
|    | (d) | (i) Explain the effects that branding its products could have on an organisation.   | 5           |
|    |     | (ii) Describe the stages that a product might go through prior to being launched onto the market.   | 5           |
|    |     |   | <b>(25)</b> |
| 3. | (a) | Describe methods of growth.   | 6           |
|    | (b) | (i) Explain the impact that recent trends in retailing have had on organisations.   | 4           |
|    |     | (ii) Describe the reasons why some manufacturers sell their products to retailers rather than directly to customers.                          | 4           |
|    | (c) | Explain advantages and disadvantages of becoming a public limited company.  | 5           |
|    | (d) | (i) Describe the main characteristics of an entrepreneurial structure.  | 3           |
|    |     | (ii) Distinguish between a centralised structure and a decentralised structure.   | 3           |
|    |     |   | <b>(25)</b> |

**SECTION TWO (continued)**

- |    |     |   |             |
|----|-----|---|-------------|
| 4. | (a) | Compare the use of functional grouping with product grouping.   | 5           |
|    | (b) | Explain internal problems that can exist when managers try to make effective decisions.   | 5           |
|    | (c) | Describe different payment systems available to an organisation.  | 5           |
|    | (d) | (i) Describe and justify <b>3</b> forms of testing (other than interviews) used in the selection process. (A different justification should be used each time.) | 6           |
|    |     | (ii) Discuss the use of internal sources of recruitment.  | 4           |
|    |     |   | <b>(25)</b> |
| 5. | (a) | Explain the benefits of using Information Communications Technology for a multinational organisation.   | 5           |
|    | (b) | Describe factors an organisation should consider when trying to encourage a positive corporate culture.   | 5           |
|    | (c) | Explain the advantages to an organisation of using a structured decision making model.  | 5           |
|    | (d) | Describe reasons why an organisation would use cash budgets.  | 5           |
|    | (e) | Explain the advantages and disadvantages of using job production.   | 5           |
|    |     |   | <b>(25)</b> |

[END OF SECTION TWO]

[END OF QUESTION PAPER]

## ACKNOWLEDGEMENTS

Section One—Sky Sports logo is reproduced by kind permission of British Sky Broadcasting Ltd.

Section One—ESPN logo is reproduced by kind permission of ESPN EMEA Ltd.