

# **MARKSCHEME**

**November 2003**

**BUSINESS AND MANAGEMENT**

**Standard Level**

**Paper 1**

1. (a) **Describe George Swale’s present span of control and assess whether this is appropriate to his function.** [4 marks]

George’s span of control is six people; the ticketing and premises managers, plus four secretarial staff. These subordinates all report directly to him.

A span of control of six people is well within the normal acceptable range, especially given that two of the six subordinates are specialist managers and probably experienced staff. However, George’s job is being expanded as a result of reducing input from Joe Swale. Some candidates may discuss the issue of human resource role at this point for which George appears individually responsible.

[3 to 4 marks]

The span of control is accurately identified. For [4 marks] the answer may assess whether it is appropriate by reference to accepted theory, e.g. Fayol, and/or the nature of the tasks involved. The position taken is well supported and focuses on *Rainbow Club Ltd.*

[1 to 2 marks]

The answer is either unsupported or extremely general. For [2 marks], there is an understanding that the span is related to the task and/or the people involved.

- (b) **Discuss how *Rainbow Club Ltd’s* staffing and organization structures could be altered to reflect Joe’s decreasing administrative role and the club’s increasing international focus.** [8 marks]

The major structural issues are that of Joe Swale’s diminishing input into the general administration of the club and the resulting increase in demands on the rest of the management team. The move into international markets both in marketing and playing areas will lead to an increasing role for both George and Nancy and may provide financial problems for Robert Graves.

On the human resource front, George appears to be solely responsible. He has specific human resource experience, but not necessarily the academic background and knowledge to run the function effectively. It may be necessary to hire a personnel expert, with experience of dealing with an international staff, to take on the role of HRM. George may wish to concentrate on administrative matters, now that Joe has decided to take more of a “back seat” role. George may also be able to look at the business from a more strategic viewpoint if he is not tangled up with routine matters.

It is not clear whether Nancy has specific marketing experience, but even if she has, additional specific marketing assistance may be useful; again with an emphasis on international markets. This would offer the possibility of greater specialization, with Nancy focusing on, for instance, communications.

At the moment the existing structure is rather formal and military. A more flexible, decentralized structure is a possibility. The expansion overseas may be managed through the use of project groups or matrix structures. Some of the functions could be outsourced to specialist consultancies.

It may also be necessary to appoint additional staff overseas or use agents in other countries to manage *Rainbow Club Ltd's* interests.

However, the autocratic nature of Joe Swale may mean necessary changes are not implemented.

**[7 to 8 marks]**

The discussion is detailed and relates to adjusting the present structure, such as adding additional posts or levels, or introducing more flexible structures. Examples are taken from the case study recognizing changing responsibilities of staff, particularly Nancy and George.

**[5 to 6 marks]**

The discussion suggests additional posts or levels. Examples are taken from the case study recognizing changing responsibilities of staff.

**[3 to 4 marks]**

The discussion is sensible, but deals with the structure in a very general manner with little appreciation of the particular demands of the club. For **[3 marks]**, it may be brief and relatively unsubstantiated.

**[1 to 2 marks]**

The answer is essentially descriptive. Some relevant points are made but there is a lack of balance and depth.

2. (a) **Nancy Swale wants to discover whether suitable overseas markets exist for the *Rainbow Raider's* merchandise and media output. Advise Nancy on the market research she should undertake with reference to methods and suitability.**

**[8 marks]**

Market research may be of a primary or secondary nature.

**Primary:** This is the collection of first-hand data by the use of questionnaires, surveys and observations. The problem with these is access to overseas markets and the lack of knowledge to select a representative sample. As a consequence any market research may need to be carried out by local market research agencies.

**Secondary:** This is the analysis of existing data sources such as statistics collected and published by the government, articles and research by the media and specialist research groups, information published on Internet sites and data from competitors' publications.

Primary research is expensive and time consuming, especially as it involves research in other countries and the probability of involving other research groups. There may be cultural and language problems. However, it will provide data on the very specialist ice hockey market. General information on attendances at sport's events, media trends, demographic and consumer profiles and economic factors may be provided by secondary sources.

It is likely that Nancy will have to use a combination of the two research methods, given the specialist nature of the ice hockey market. Media trends may be more accessible through secondary sources. However, the club is constrained by its perilous financial status and detailed research may be prohibitive. The use of local market research companies might prove a more efficient option.

**[7 to 8 marks]**

The analysis is balanced with detailed assessment of the range of primary and secondary data available. The discussion is focused on the case study and shows an appreciation of the specific requirements of researching merchandising and media markets. Recommendations are made.

**[3 to 6 marks]**

The analysis is sound and appropriate to the case study, with some relevant examples at the upper end of the band. At the lower end the answer may be very descriptive and unrelated to the case itself.

**[1 to 2 marks]**

A brief, generalized and probably unbalanced answer, which tends to description or listing.

- (b) **Rainbow Club Ltd wants to market and distribute its products and media broadcasts overseas. Analyse how the use of new technologies can assist the marketing and distribution processes.**

**[6 marks]**

New technologies may include: video-conferencing, satellite and mobile communications such as mobile phones, text messaging, 3G technology and cable/satellite TV. The Internet and e-mail will allow access to global markets. Distribution will be aided by improved logistics in the distribution using computer-based programmes to manage the processes cost-effectively.

New games consoles, such as those manufactured by *Sony*, *Nintendo* and *Microsoft* may provide the platform for games based on ice hockey and featuring the *Rainbow Raiders*. DVD and new recording/broadcasting technologies will help fans access games and features about the *Rainbow Raiders*.

**[5 to 6 marks]**

The analysis is specific about the type and nature of available technologies and applies these to the question. Both marketing and distribution are considered and related to the *Rainbow Raiders*.

**[3 to 4 marks]**

There is some description of technologies available to assist marketing and distribution, although the use may not be specified. For **[4 marks]** there is some use of the case study.

**[1 to 2 marks]**

There is a generalized and limited response.

3. (a) **Define a “joint venture”, and discuss the advantages and disadvantages of using joint ventures to expand *Rainbow Club Ltd*.** [4 marks]

A *joint venture* is a business owned jointly by two, or more, independent firms, which continue to function separately in all other respects, but pool their resources in a particular line of activity. *Rainbow Club Ltd* is planning a joint venture with a local hotel to expand its site.

The hotel and ice hockey club are involved in the “people business”. The combining of resources through either a joint venture may provide economies of scale and synergy ( $2 + 2 = 5$ ). Growth and market power is also the desired result. It would be useful to discuss the relationship between leisure and sport.

Joint ventures are usually a cheap way of expanding a firm’s business interests. The arrangement is normally easy to withdraw from if it is unsuccessful. Staff may not feel threatened by the new arrangement as it is entirely separate from the existing business, and since it may be temporary.

The main problem with a joint venture is that the firms will need to agree on the management and development of the business, especially if it is a 50-50 arrangement.

There may be some resistance to change from existing employees in both firms, clashes of corporate and management cultures and a lack of experience in new markets opened up by the joint venture.

[3 to 4 marks]

The definition is accurate and is detailed and related to the case study for [4 marks]. Both advantages and disadvantages are discussed.

[1 to 2 marks]

A brief, generalized and probably unbalanced answer, which tends to description or listing.

- (b) **Describe how Joe Swale’s present leadership style has contributed to conflicts within *Rainbow Club Ltd* and evaluate how the use of different leadership styles and approaches might help resolve or minimize conflict.** [10 marks]

Most of the conflict seems to emanate from the interventions of Joe Swale. Sources of conflict include:

- treatment of players
- running the club like a personal possession
- disciplining players in public and being unaware of cultural issues
- treating players with contempt
- threatening to sell Brad Mansoff to another club unless he improves his fitness and attitude
- interference in the selection and purchase of players
- putting business interests over the performance of the team by introducing players who lack talent
- non payment of staff

- conflict with the fans and the fan magazines over the proposed move to Carlton. Joe Swale’s leadership approach is highly autocratic, exhibiting a theory “X” leadership style, as described by McGregor. Joe, however, also exhibits some paternalistic attitudes in that he views the club as a personal possession or family and acts in the way he sees fit in its best interests. He appears to be popular with fans and to be congenial in his dealings with them. However, with paid employees his attitude is different. Joe “tells” rather than “sells” (Tannenbaum and Schmidt) and has a “9.1” style under the Blake and Mouton grid, with a high concern for the task, but a low concern for people.

To resolve or minimize some of the conflicts, he would have to show more respect for other people’s opinions and views and be prepared to implement the ideas of others when they were in the interests of the club. It is unlikely that he would be able to become a theory “Y” manager overnight, but he could move across the Tannenbaum and Schmidt continuum to sell his ideas and consult more often. This could happen through a range of forums, involving players, administrative staff and fans. The use of quality circles could help engender a sense of participation. If this occurred all staff may be more motivated and efficient. The use of situational or contingency leadership styles may be effective, although Fiedler doubts that leaders can easily change their style.

Training may help Joe make this adjustment, or the use of external consultants may be appropriate. However, the likelihood of a change in Joe Swale’s style is questionable, and he may need to address the financial requirements of the club, even if this means upsetting other people. In a time of crisis, autocratic leadership is sometimes required, but it would be far better to take his players and staff with him when the changes occur.

***[9 to 10 marks]***

The major sources of conflict are identified and the relationship to the leadership style is examined. A judgment is made as to the effectiveness and likelihood of employing different leadership approaches and styles in resolving these conflicts. A range of leadership theories is employed.

***[6 to 8 marks]***

The major sources of conflict are identified and the relationship to the leadership style is discussed. Some leadership theory is employed and there is an attempt to assess the effect of different leadership styles on the conflicts identified.

***[3 to 5 marks]***

Some conflicts are identified and there is a general discussion of style, though this may be limited and without reference to leadership theory.

***[1 to 2 marks]***

A brief, generalized and probably unbalanced answer, which tends to description or listing.

4. (a) Prepare a SWOT analysis for *Rainbow Club Ltd.* [8 marks]

**Strengths**

- strong junior training programme supplying future team players – seven of the present squad came from the junior squad
- successful male and female teams
- international appeal and image and a recognized brand
- loyal fans
- links with the local community and the resulting enhancement of image
- good relationships between George and Nancy Swale and the staff and players
- many players respect Joe Swale’s passion and knowledge of ice hockey
- good quality players *e.g.* Brad Mansoff is an international player
- holders of the league title and considerable success in previous seasons
- merchandising sales
- the financial experience of Robert Graves
- Joe Swale’s strong long term vision for the club
- a competitive ticket price.

**Weaknesses**

- few fixed assets
- the present financial position of the club
- a lack of commitment by Joe Swale in running the club
- Joe’s abrasive and insensitive leadership style
- low salaries of the administrative staff resulting in high staff turnover and low morale
- poor performance of the players in the current season
- injury list and Brad Mansoff’s promotion distractions
- Dan Carderelli’s job insecurity
- difficult relationship between Dan and Joe
- the club is running at a loss
- lack of major sponsors
- poor morale among the players and the possibility of transfers
- deterioration of the rink and stadium which compares poorly to that of the *Jets*
- low seating capacity of the ice rink and some poor seating arrangements
- an existing overdraft, poor cash flow and a lack of finance
- poor marketing and a lack of club identity.

**Opportunities**

- an international demand for sports merchandise and media sales of games
- increasing internationalism in the sport
- the availability of sponsors
- increasing demand for merchandise worldwide
- commercial companies looking for links with sports clubs
- new technologies encouraging the globalization of sport
- demand for seats is relatively inelastic
- the availability of land for development
- younger potential fan base in Carlton, with a higher disposable income.

### Threats

- the rise in fortune and the financial strength of rivals such as the *Jets*
- competition for sponsorship
- the impact of trade union activities
- superior facilities of ice hockey rivals
- traffic congestion in the area
- aging demographic profiles in the local population
- the negative editorial of the fan magazine, “*The Roar*”
- opposition from the fans to a proposed move
- inability to move to a new and financially viable ice rink

#### **[7 to 8 marks]**

The SWOT analysis is detailed, balanced and appropriate to *Rainbow Club Ltd*, with at least three entries in every box for **[8 marks]**. The selection is taken from the case and placed in the correct box. Strengths and weaknesses are controllable and opportunities and threats relate to the external environment.

#### **[3 to 6 marks]**

The SWOT analysis is sensible and appropriate to *Rainbow Club Ltd*, but increasingly less detailed and balanced towards the lower end of the band.

#### **[1 to 2 marks]**

A brief, generalized and probably unbalanced SWOT with some inappropriate entries and/or items in the wrong boxes.

- (b) **Using your SWOT analysis, assess the medium term options (options A and B) available to *Rainbow Club Ltd* and discuss whether the club should proceed with either of the options.** **[12 marks]**

*Rainbow Club Ltd* is in a state of uncertainty about the future. Its major strengths rest in the players, its history, fan base, good community links and some effective managers. Its weaknesses are the limited facilities, growth potential and present lack of success of the *Rainbow Raiders* team. It has 2 options:

- the redevelopment of the existing premises
- moving the whole club to the village of Carlton.

### **Option A**

The redevelopment of the existing premises would improve the rink, add seating capacity, extend car-parking facilities and allow a commercial development including shops and a cinema. It would, however, add to local traffic congestion. The local government may oppose planning as a result of this and because it will lead to the removal of the ski slope.



**Option B**

Moving the whole club to the village of Carlton will allow the construction of a larger purpose-built entertainment and leisure centre with extensive car parking facilities and future expansion opportunities, and is favoured by Joe Swale who may put in the energy to make it a success. Sponsors back this option as it offers corporate hospitality opportunities. It risks alienating the existing fan base, but this is ageing and that of Carlton is younger and more affluent. Access will be easier because of the motorway.

Alternatively, the club could continue as it is. However, the ice rink is showing signs of wear and tear and is in need of significant renovation. The premises are not owned by the club, and its seating capacity of 3 500 is well below the league average of 8 000 spectators and is close to full for every game. Some seat prices may be increased, but the club has liquidity problems and the higher revenues may be insufficient in the long run. New sponsors may not commit in the long run.

There is no right answer so any position selected must be justified. The advantages and disadvantages will be different for each stakeholder group. The fans, for instance will not back the proposed move and if it happens may desert the club. However, this option may be the only one to guarantee the future success and growth of the club to support its international ambitions. Any development should be considered in the light of future opportunities and threats.

***[10 to 12 marks]***

The assessment is detailed and employs issues raised in the SWOT. There is evidence of critical thinking and the discussion is detailed. A judgment is made and supported.

***[6 to 9 marks]***

The assessment is balanced and uses some issues from the SWOT analysis. The discussion is sensible but may lack depth and the choice may be backed by limited analysis.

***[3 to 5 marks]***

The discussion tends to be descriptive rather than analytical and the content is limited. The use of the SWOT analysis may not be significant. A final choice may not be attempted, or if it is, it may not be well supported.

***[1 to 2 marks]***

A brief, generalized and probably unbalanced answer, which tends to description or listing. The SWOT may be ignored and a final choice absent.

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