

The maximum mark for this paper is **90**.

QUALITY OF WRITTEN COMMUNICATION

Quality of written communication is assessed in questions that are indicated accordingly (*). Marks should be awarded for spelling, punctuation and grammar, use of appropriate form and style of writing, and for organising work clearly and coherently.

Question Number	Answer										Marks	
1(a)	Determine, and show, the critical path for the new stand project.										[13]	
	<i>Activity</i>		<i>Duration/ weeks</i>	<i>EST</i>	<i>EFT</i>	<i>LST</i>	<i>LFT</i>	<i>TF</i>	<i>FF</i>	<i>Critical Path</i>		
	1 - 2	<i>Planning permission</i>	4	0	4	0	4	0	0	*		
	1 - 3	<i>Directors' Loan</i>	4	0	4	5	9	5	5			
	1 - 4	<i>Supporters' bond</i>	10	0	10	9	19	9	9			
	2 - 3	<i>Demolition</i>	5	4	9	4	9	0	0	*		
	3 - 4	<i>Phase 1</i>	10	9	19	9	19	0	0	*		
	3 - 6	<i>Sell boxes</i>	10	9	19	23	33	14	14			
	4 - 5	<i>Phase 2</i>	12	19	31	19	31	0	0	*		
5 - 6	<i>H&S checks</i>	2	31	33	31	33	0	0	*			
<p>Level 3 The answer contains analysis of the technique to determine the critical path.</p>											[9-13]	
<p>Level 2 Applies understanding of the technique in attempting to determine the critical path.</p>												[4-8]
<p>Level 1 Demonstrates some knowledge of the technique.</p>												

Question Number	Answer	Marks
1(b)*	<p>The summer break is 14 weeks. Recommend whether SCL should build a new stand for the 2007 – 2008 season</p> <p><i>New stand increases capacity by 567 seats, just under 2.9%. Cost is £7.5m, seems like a lot of money for very little marginal revenue. Income from ticket sales rises from £3.5 m to £4.5m (£1.058m). These figures give a PBP of 7.1 years, and an ARR of 14.1% assuming that no fall in incomes during construction.</i></p> <p><i>However, figure 1 shows that Harborough Road stand needs to be closed for 15weeks of the season so really need to factor in the lost income during this time. 15 weeks means 11.25 games. Further 15 weeks from 38 playing weeks is 39.5% Different assumptions could be used to show that average seat yields £178 pa, occupancy 72%. Harborough Road stand is 32% of capacity is lost income during closure is £250. Makes PBP 7.3 years and ARR of 13.7%. Is ARR in excess of SCL's cost of capital? If not, then financially it's not worthwhile. Other financial issues include reduced insurance premiums, less risk of being sued for inadequate disabled access. Would replacing an 85 year old stand reduce maintenance costs?</i></p> <p><i>How to pay for it? A Decision Tree suggests the best is a flotation; (EMVs of 6.08 v 5.90, so very close) but does the club want to float at this time. Loss of autonomy/ increased public scrutiny from the investment community if go public. Is the culture within the board appropriate for the rigours of PLC status? But, access to more capital and so could use this as a springboard to grow the club. If don't float then how secure is the capital used, could directors/ public demand their capital back. NB. Public bond is accounted for as a current liability – what are the chances of al of the bondholders wanting their money back at one time?</i></p> <p><i>Impact of new stand other than financial. Marketing, boost ticket process, and makes the ground more appealing. Bigger crowds more opportunities for associated sales of food and merchandise on match day. Also, better media centre and so more chance of income from this source. Also, improve employees place of work and so may reduce demotivation (Herzberg) and so boost output. New stand an opportunity to build specific facilities of SCL acquires LLAFC. How reliable is the critical path diagram. Close season is 14 weeks, phase 2 is 12 weeks, so little room for error. Further, phase 2 is critical so no slippage possible. If there is a construction snag where will SCL lay their fixtures? Might they be subject to a penalty from the RFU?</i></p> <p><i>Even to retain its current market position worn out assets need to be replaced. New stand says a lot about the club's confidence. Wouldn't embark on this idea if the board were not optimistic about the future, so big lift to the whole club, community and supporters. In a limited way the stand is an increase in capacity, but even more so it is important for what it says about the club.</i></p>	[18]

Question Number	Answer	Marks
<p>1(b)* cont'd</p>	<p>Level 4 Discussion is balanced in evaluating recommendation Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 Analyses case material in support of recommendation Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 Recommendation is supported by descriptive sue of the material Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 Offers a view without support Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	<p>[12-18]</p> <p>[8-11]</p> <p>[4-7]</p> <p>[1-4]</p>
<p>2*</p>	<p>Evaluate which stakeholder group will be most influential in SCL's achievement of its 2006-07 objectives. <i>Stakeholders, any party with an interest in the business. Key stakeholders here are employees, especially the players, local authority/ community, sponsors, owners and customers (supporters).</i></p> <p><i>Owners will want a reasonable return on their investment (analysis of ROE etc). Given the nature of the business this return need not be solely financial, rather emotional reward may play a significant part of their positive disposition to the business. 2004 figure suggest ROCE of just 2.39% so owners may want the firm to cut costs and / or generate more income. This may mean a reduction in, or no increase in, wages. As owners, this group has the power to supply or withhold resources required for strategic actions. This means without their support the growth objectives are unlikely to be achieved (presumably, being a Ltd the owners have been heavily involved in the formulation of the objectives and so will be committed to them)</i></p> <p><i>Employees are essentially two types. Players, given their short careers will want to maximise their income even if that jeopardises the long-term future of the business (they will have less interest in an on-going relationship). Hence, they may be willing to promote risky strategies because their skills will be in high demand and readily transportable. Clearly, without this key group sporting success cannot be achieved.</i></p>	<p>[18]</p>

Question Number	Answer	Marks
<p>2* cont'd</p>	<p><i>However, they will have a less immediate impact upon securing the other three objectives. In contrast, managers/ administrators may be more risk averse and be more aware of the long-term viability of the business (see mission statement). Their focus may be on growing the business and communicating its values. As manager/ coaches etc they have the ability to select teams and as such influence directly the first objective. Likewise, without management efforts objective 2 will not be forthcoming. Managers set objectives and control allocation of resources so will have two significant influences.</i></p> <p><i>Supporters represent a significant portion of income (expect analysis of P&L) and as such their continued attendance is a key in achieving objective 3. Might argue their reaction at matches as a crowd will influence players' behaviour/ motivation / industry on the pitch and as such objective 1.</i></p> <p><i>Community play a major role through facilitating the operation of the club. Clear evidence that local authority have influenced the behaviour of the club – cancelled closure of Gunthorpe Park – and as such they have a direct bearing on objective 2, long term financial security. If the club is financially insecure they are less well placed to attract support from partner organisations and sponsorships</i></p> <p><i>The issue is not to pick the most influential, rather achieve a reasoned position.</i></p> <p>Level 4 Discussion is evaluative in balancing different possibilities Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 Case material is subject to analysis in considering stakeholders influence on objectives Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 Describes how stakeholders might affect SCL's ability to met its objectives Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p>	<p>[12-18]</p> <p>[8-11]</p> <p>[4-7]</p>

Question Number	Answer	Marks
<p>2* cont'd</p>	<p>Level 1 Demonstrates knowledge of stakeholders and/ or stakeholders Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	<p>[1-3]</p>
<p>3*</p>	<p>David Rees states that “There is no point worrying about what goes on outside the club; it’ll happen anyway. It’s what we do on the pitch that matters and determines whether we are successful”. To what extent might a recession impact upon the strategic decisions taken by SCL?</p> <p><i>Case specifically mentions a recession; a downturn in economic activity (two or more consecutive quarters of GDP growth below the long trend).</i></p> <p><i>Can be argued that SCL is in the entrainment/ leisure industry. Typically such business are income sensitive. As such a fall in incomes due to recession would cause a greater fall in demand. The data here is that Demand has risen from 12,693 (64% of 19,833) to 14,280 (72% of 19,833), an increase of 12.5% when incomes have risen 8%, suggesting YED of +1.56. So possibly SCL’s market is income sensitive. However, the change in demand has happened at a time when sporting success has also happened, so to what extent has the change in demand been caused by income or by an increased preference for rugby? That demand has risen 12.5% at a time when prices have risen 12% suggests that either rugby has a positive PED or that the changes in demand seen cannot be attributed to a single factor. Ticket sales represent 31.8% of income in 2004, projected to fall to 29.8% in 2007. So, maybe a recession would not be too harmful regarding ticket sales as the club is set to rely less on this source of income.</i></p> <p><i>Impact upon strategy depends upon whether SCL is indeed in an income sensitive market. Note though that SCL also has income from non-ticket sources. Recession could cause a fall in sales of</i></p> <p style="padding-left: 40px;"><i>Conference trade (7.9% of income in 2004 projected to be 6.5% in 2007)</i></p> <p style="padding-left: 40px;"><i>Sponsorship (53.3% 2004 57.9% in 2007)</i></p> <p style="padding-left: 40px;"><i>Merchandising (6.5% 2004 5.4% in 2007)</i></p> <p><i>So, biggest source of income, and the one set to grow, is sponsorship. Thus, impact on SCL depends upon the nature of their sponsorship deals. If the sponsor is tied in then little immediate impact on SCL. But, there might be a big impact when deal ends. So, can sponsors walk away if times get tough for them? Remember that SCL has non-core activities such as squash, cycling and fitness. Recession might cause an increase in demand for these forms of leisure, especially if membership is 12-month contract then the marginal cost is zero so at a time of falling/ static income these activities represent cheap leisure! So recession might mean greater demand for these activities, requiring additional re-sourcing.</i></p>	<p>[18]</p>

Question Number	Answer	Marks
3* cont'd	<p data-bbox="328 280 1289 344"><i>Other issues; the nature of the recession, local or national? Anticipated or sudden? severe or mild?</i></p> <p data-bbox="328 394 1251 490"><i>Candidates should be able to link the external change with a change in strategic decisions such as ground development, moving into other markets etc.</i></p> <p data-bbox="328 544 427 573">Level 4</p> <p data-bbox="328 582 1270 786">Discussion of impact(s) is supported by analysis of case material Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p data-bbox="328 799 427 828">Level 3</p> <p data-bbox="328 837 1209 902">Case material is subject to analysis impact of recession on strategic decisions</p> <p data-bbox="328 911 1262 1077">Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p data-bbox="328 1090 427 1120">Level 2</p> <p data-bbox="328 1128 1262 1267">Describes possible impact(s) of the state of the economy Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p data-bbox="328 1281 427 1310">Level 1</p> <p data-bbox="328 1319 1278 1491">Identifies ways recession impact(s) on strategy or knowledge of the state of the economy Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	<p data-bbox="1329 757 1422 786">[12-18]</p> <p data-bbox="1329 1048 1422 1077">[8-11]</p> <p data-bbox="1329 1238 1422 1267">[4-7]</p> <p data-bbox="1329 1458 1422 1487">[1-3]</p>

Question Number	Answer	Marks
4*	<p data-bbox="316 282 1257 315">Should SCL takeover Littleborough Ladies AFC? Justify your view.</p> <p data-bbox="316 365 1289 629"><i>Lots of issues to consider! Depends upon the price; book value is £100,000 in 1998, what is the current market value of LL AFC only asset some 7 years later. Might there be an opportunity to asset strip? Buy the club, wind it up and sell the land for a worthwhile capital gain? Is such an approach ethical and in line with SCL's mission statement? What is it that SCL are actually buying – unless there is some contractual link between the players and the club a football team has no real value. Share swap, so what is the real costs of SCL of the acquisition?</i></p> <p data-bbox="316 678 1257 907"><i>Operational costs – what does it cost to run the team, what level of liabilities is SCL letting itself in for? What income stream might SCL expect from the acquisition? Can normal business models of evaluating investments be used in this context? Indeed, does LL AFC generate any income, otherwise SCL is paying out for a net increase in costs! Would need some market research to estimate match attendances and other income streams.</i></p> <p data-bbox="316 956 1265 1256"><i>Are the two organisational cultures compatible? There is an issue of “rugger buggers” v “mamby bamby soccer”, made worse by the gender issue! It is possible that SCL reputation may be impacted upon, affecting its ability to acquire top players, sponsors and crowds. Is SCL a rugby club, a leisure conglomerate? This might create a confused message to the outside world. Impact on staff morale/ groundsman. Arguably larger issues of work life balance in an expanded club. Also, SCL are talking takeover, LL AFC merger. Might this lack of consistency be an issue in seeking to integrate the two operations?</i></p> <p data-bbox="316 1305 1302 1570"><i>Expect reference to Ansoff; new market & new product – diversification? High risk, but SCL do acquire the expertise in the market assuming LL AFC's staff stay and as such reduces risk to some degree. Market is set to grow, arguably faster than core market of rugby. Easier to grow in a growing market than in a mature market – but is growth a major issue for SCL? How does SCL assess its performance? If it is in trophies then acquiring LL AFC might distract management attention away from the core business unless LL AFC are successful in their own right.</i></p> <p data-bbox="316 1619 1297 1749"><i>Is lure of better use of Gunthorpe Park real or illusory? Would LL AFC play at Gunthorpe Park or at The Vale? Can a stadium be used for both games on a consistent basis? If LL AFC play at The Vale what impact does this have on the training regime of SCL and the other activities there?</i></p> <p data-bbox="316 1798 1281 1928"><i>Are there any synergies here for both? It is challenging to see what is in it for SCL other than it fits in with their stated core values of being inclusive in a wide range of sports. Comes down to the central decision as to what SCL want to be.</i></p>	[23]

Question Number	Answer	Marks
<p>4* cont'd</p>	<p>Level 4 Achieves an overall view having evaluated different sides. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 Analysis of material supports recommendation. Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 Recommendation supported by the application of case material. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 Offers an unsupported recommendation. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	<p>[17-23]</p> <p>[11-16]</p> <p>[5-10]</p> <p>[1-4]</p>
Paper Total		[90]

Assessment Objectives Grid (includes QWC)

Question	AO1	AO2	AO3	AO4	Total
1(a)	3	5	5	-	13
1(b)*	3	4	4	7	18
2*	3	4	4	7	18
3*	3	4	4	7	18
4*	4	6	6	7	23
Totals	16	23	23	28	90