

**ADVANCED GCE**  
**APPLIED BUSINESS**  
Unit 9: Strategic Decision-Making

**F248/CS**

**CASE STUDY**

**Wednesday 10 June 2009**  
**Morning**

**Duration: 2 hours**



**INSTRUCTIONS TO CANDIDATES**

- This is a clean copy of the case study which you should already have seen.
- You should refer to it when answering the examination questions which are printed in a separate booklet.
- You may **not** take your previous copy of the case study into the examination.
- You may not take notes into the examination.

**INFORMATION FOR CANDIDATES**

- This document consists of **12** pages. Any blank pages are indicated.

## Green Wind Farm (GWF)

### The farm

Kirsty le Patourel had inherited Green Farm in Norfolk from her father in the early 1990s. She had studied agriculture at college, been brought up on the farm and was, as an only child, the natural successor to run it. Green Farm had traditionally grown a variety of crops – barley, wheat, oil seed and the like – and some years ago had diversified into small scale poultry farming. Kirsty had help in the form of three Farm Assistants, Keith, Sue and Roger, all of whom had their own specialisms and were integral to her business. She also employed a range of permanent and temporary farm labourers but, because of the seasonal nature of arable farming, the workforce situation was somewhat fluid. Increasingly, she was reliant on migrant labour from Eastern Europe which she found cheap and reliable, but initially lacking the necessary skills and knowledge. As much as possible Kirsty used up-to-date farming technology, all of which needed to be mastered by many of those who worked on the farm. One of her Farm Assistants, Keith, was keen on statistically analysing the farm's performance and was always trying to get Kirsty to take the data he produced seriously. He had identified a number of areas of concern related to wastage, labour efficiency and crop yields. Kirsty, however, had her mind on other issues which, she hoped, would have far more wide reaching consequences.

### Wind power

In 2006 Kirsty returned from a visit to her cousin's farm in Cumbria on what was, essentially, a research exercise. Her cousin had recently constructed two large wind turbines to generate electricity which was then used privately and any surplus electricity sold within the immediate area and to the national grid. Kirsty was passionate about the environment and, with a shrewd eye for business, saw a real 'earner' here which would help satisfy a number of her business and private objectives. And so the idea of a wind farm was born. Generate electricity using nature's free resource – the wind – and, in 'Phase One', install one small wind turbine which would give her free electricity and, maybe, some to sell. The farm had plenty of space, including two hills – both of which could site a wind turbine. Kirsty hoped that there would be little complaint from neighbours regarding the visual and noise pollution which it might entail. There were two adjacent farms, neither of which would have a direct line of sight to her proposed site for the turbine, and a pub and two cottages. If these neighbours were against her idea, then she could sweeten them by selling them cheap electricity or even give it to them for free, if need be. Kirsty got mixed responses – one negative, and another wildly enthusiastic and willing to invest money in the scheme. She knew that the whole plan, however, would hinge on planning permission and the logistical advice she would have to get from the engineers who would (hopefully) install the turbine.

In early 2007 Kirsty received planning permission from the local council and very quickly had a firm, Eco-Power Ltd, lined up to construct Green Farm's turbine. By the late autumn the job was completed and the wind turbine was operating in time to catch the stronger gusts of November and December. Kirsty found that she was comfortably generating enough power for her farm's needs. She would be able to supply the two nearby farms, as well as other neighbours, if only she could overcome the logistics of getting the electricity to them. No-one complained about the small turbine as it could scarcely be seen and was virtually silent. By the spring of 2008 an optimistic Kirsty was thinking about her plan for 'Phase Two'. Already she had renamed the farm 'Green Wind Farm' (*GWF*).

## Back on the farm

Meanwhile *GWF* continued to operate successfully as an arable farm. Kirsty was always on the lookout for new ventures and was financially very astute. She was aware of the changing political environment and how farming was viewed within the UK and the European Union. She received subsidies now but was unsure just how long this would continue (**see Appendix 1**). Any new source of income would be welcome so during the hectic summer of 2008, she commissioned her three very busy Farm Assistants to research specific areas for growth. 45

## Option One

Keith was asked to research the possibility of growing a new crop. There was, reportedly, a new hybrid oil seed crop which, apparently, could be grown in the dry Norfolk conditions with considerable ease. Its key selling point was as a substitute for petrol – a ‘biofuel’. The oil from the seeds could be relatively easily processed and the resultant liquid used in cars. It was not a total petrol-replacement as cars would still need the engine lubricants which ‘real’ petrol put in their engines, but it was potentially highly lucrative (**see Appendix 2**). Kirsty called it *GWF*’s own ‘oil well’. It also meant that *GWF* was doing what it already did – growing oil seed – just a different variety. There were some big questions, however, regarding the processing of the seeds into biofuel (who would do it? how much would it cost?), the environmental credentials of this petrol replacement and how exactly would it be distributed and to whom? 50 55

## Option Two

Sue was given the job of researching Kirsty’s wind power ‘Phase Two’. All along Kirsty had secretly planned for something on a much bigger scale in relation to electricity generation. Now that the locals were ‘on-side’, Kirsty wanted to construct three big turbines – the kind of things which could each produce over a million units of electricity per annum. Sue set about the task with her customary energy and very quickly had detailed information about the construction and operation of such turbines from the previous contractor, Eco-Power Ltd. Sue applied for ‘outline’ planning permission, as this would slow down, or indeed nullify, the whole venture if not commenced immediately. It was very pleasing to hear in the news that environmental projects, such as *GWF*’s, were increasingly being given generous and swift planning permission (**see Appendix 3**). Eco-Power Ltd detailed the complex sequence of operations needed to construct larger wind turbines and introduced Sue to the principles of production scheduling. Given the risks and huge financial resources necessary she also felt it might be time to turn *GWF* into a private limited company and make the business a little more formal. If *GWF* envisaged selling surplus electricity to large firms such as nPower and Ecotricity, then it would have to be more professional in its approach. The two neighbouring (and very wealthy) farmers had offered considerable financial support and were keen to be ‘in on the deal’. The marketing implications were huge. Who would *GWF* sell to? At what price? How could *GWF* promote it? *GWF* also had to consider insurance, maintenance, getting experienced technical support and so on. It was all very exciting. 60 65 70

### Option Three

Roger had been told to 'go and find something different'! He was very positive about this as he had a number of projects in mind that he could look at – all in the area of entertainment and tourism. He considered caravan parks, fun parks and camping, but finally hit on the idea of running a paintball venture. He was a keen paintballer himself and, as such, given the 'inside' knowledge he had of the activity, saw this as *GWF*'s lowest risk option. The capital outlay would be moderate – *GWF* would have to buy £50 000 worth of guns and protective gear to start with – and would have to spend time building an 'arena' in which to play. This could be done in one of *GWF*'s fields and constructed at minimal cost. It also had the advantage of being a year round activity (unlike the seasonal oil seed crop and attempting electricity generation during calm periods of weather), as it would be used for corporate teambuilding, stag parties and so on. And such groups would pay a lot of money – indeed, spending money on leisure time was increasing rapidly in the UK (see **Appendix 4**). There was a competitor 25 miles away (see **Appendix 5**), but Roger had paintballed there and considered it poor value for money. He was certain that 'GWF Paintball' would break-even quickly and turn in a handsome profit – if it was planned imaginatively and the pricing and promotion were right.

All three Farm Assistants had completed their tasks by the spring of 2009 and each reported back with a clear business plan, demonstrating the financial, operational, marketing and human resource requirements. Kirsty had stressed the importance of a detailed financial appraisal of each investment and was keen to use other decision-making tools such as the SWOT and PEST Analysis and Ansoff's Matrix. After due consideration, she was about to choose one of the three options...or maybe she wouldn't!

## Appendix 1

### Farm subsidies system criticised

**A House of Commons committee has accused the government of bungling, complacency and wasting public money over a new system of paying subsidies to farmers.**

It will mean farmers receive one annual sum instead of a series of payments.

The Environment, Food and Rural Affairs Committee (EFRA) said the cost of an IT system for the scheme had doubled and farmers were unsure when they would be paid.

The Rural Affairs Minister said he was 'acutely aware' of the payments' importance and denied being complacent.

The new system works out what subsidy each farm should get according to past receipts and its land area.

Defra's Rural Payments Agency (RPA) aims to start making the payments in February 07 and to have paid 96% of eligible farmers by the end of March.

**“ It would be unacceptable if farms were put out of business due to delays by the RPA in making payments ”**

EFRA committee report

Source: bbc.co.uk

## Appendix 2

### Blair pushes for 'eco-friendly' petrol and cleaner, greener cars

It smells of popcorn, can be made from chip fat, and may just help save the planet. Every motorist in Britain will shortly be filling their tanks with eco-friendly petrol under government plans to tackle climate change.

By 2010 the nation's cars will switch to using a mix of ordinary diesel or petrol with 'biofuel', a cleaner alternative made from plant oils, in an attempt to reduce harmful emissions from traffic.

The move – which comes amid new concern over the speed of climate change, following a month of hurricanes and an unusually balmy October in Britain – suggests the government has accepted it cannot force motorists out of their cars, and opted to clean up their cars instead.

Writing in today's Observer, ahead of a major international summit on climate change to be held in London, Tony Blair warns that 'vicious climate disasters' such as floods and hurricanes have intensified the case for action. But he adds: 'None of this is going to happen unless the developed and emerging nations sit down together and work it out, in a way that allows us all to grow [and] imposes no competitive disadvantage.'

Cars will not need to be modified to cope with biofuel, and although it is costlier to produce, officials insist the price of petrol will not rise since the biofuel will represent only five per cent of the mix. However, that small change is enough to reduce Britain's emissions of carbon dioxide, the 'greenhouse gas' implicated in global warming, by more than one per cent by 2010 according to government calculations.

Biodiesel is usually made from 'oily' crops such as sunflower or palm fruits, but can be made from used cooking oil thrown away by restaurants. Aficionados say cars running on it emit smells of fresh popcorn rather than the smell of a stale chip shop.

Source: G Hinsliff, Blair pushes for 'eco-friendly' petrol and cleaner, greener cars, The Guardian, 30 October 2005

## Appendix 3

### Environmental Impact Assessment

If an Environmental Statement is not submitted voluntarily with an application, most wind turbine applications will require that the local council planning department carries out an Environmental Impact Determination.

Each application will be judged on its own merits and additional information will depend on the individual circumstances. For example:

- site location;
- number of wind turbines;
- wind turbine height;
- site designations such as Areas of Outstanding Natural Beauty or Conservation Areas.

Source: The Planning Service website

## Anger as wind farm rules relaxed

### Prescott issues planning advice

Planning permission for wind farms and other renewable energy sources, even projects inside previously sacrosanct national parks, will be easier to obtain as a result of new guidance to local authorities issued yesterday.

Among the arguments used by some protesters, apart from the fact that they think wind farms are a scar on the landscape, is that wind is not a reliable technology and does not produce the energy its supporters claim. The government has told local councils to ignore such protests, and instructs local authorities to work on the basis that renewables are a necessary part of reaching the government's climate change targets.

Source: Guardianunlimited

## Appendix 4

### Household leisure spending soars

The British public is spending more on having a good time than at any point in the past 20 years, according to official figures.

The average UK household spent 14% of its income on leisure services in the year to March 2005 – equating to £59.60 per week spent on cinema, theatre, television licence, holidays, sport, the Lottery and other entertainment.

The percentage of the household budget spent on leisure is double that in 1982 and reflects the UK's greater level of disposable income.

Source: Thisismoney.co.uk



## Appendix 5

## Prince's Paintball Park, Nettleton, Norfolk – advertising material

## Prince's Paintball

*Come paintballing with your friends*

*Fantastic value in our new paintball arena...*

*...we have woods, forts, trenches, barricades*

*Groups welcome and special group rates available*

*£25 per person (including first 50 paintballs) per 3 hour session*



Nettleton, Norfolk

[www.princespaintball.co.uk](http://www.princespaintball.co.uk)  
tel: 01879 764509





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