



A-LEVEL BUSINESS

Paper 1 Specimen Assessment Material

Mark scheme

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from aqa.org.uk

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows a description of the response at the middle of the level. There are marks in each level based on the division of the total number of marks for the question.

Before you apply the mark scheme to a student's answer, read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks will help with this. The exemplar materials used during standardisation will illustrate the performance needed to achieve a specific mark. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the candidates' responses to the most appropriate level according to **its overall quality**, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the assessment objectives (included for each question and summarised on page 22) and be careful not to over/under credit a particular skill. For example, in questions 21, 22, 23 and 24 more weight should be given to AO4 than to AO3, AO1 and AO2. This will be exemplified and reinforced as part of examiner training and standardisation.

Candidates are expected to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues	This occurs when students demonstrate knowledge of relevant terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues	This occurs when students apply knowledge and understanding to a business context to show how individuals and organisations are affected by and respond to business issues. The context could be any scenario such as a case study or a scenario provided in an essay question; it can also include data used for calculations.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences	This occurs when students analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences. Analysis involves deconstructing an issue to consider its component parts; making linkages and connections and understanding their impact; and constructing logical chains of reasoning.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues	This occurs when students evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues. Evaluation involves a balanced judgement based on relevant arguments, which makes salient points, acknowledging qualifying factors and understanding the potential limitations of the arguments. Where relevant, a judgement may involve developing and proposing solutions.

The business issues referred to in the descriptors above are internal and external changes and include business opportunities and problems.

Section A**Total for this section: 15 marks**

Question number	Answer
1	D
2	A
3	C
4	B
5	D
6	C
7	B
8	B
9	D
10	D
11	B
12	A
13	D
14	B
15	C

(1 mark for each correct answer)

Section B**Total for this section: 35 marks**

16.1 *Based on the data in Table 3, calculate the fixed costs of the business. Show your workings.*

[4 marks]**Marks for this question: AO1 = 2 and AO2 = 2**

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such fixed costs (AO1).
- be applied to the context of the given data (AO2).

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Answer = £14 050 (4 marks)

Broken down as follows:

$$\begin{aligned} \text{Profit} &= \text{Total revenue} - \text{Total costs} \\ &= \text{£22 500} - \text{£20 650} = \text{£1850} \\ &\quad \quad \quad \text{(1 mark)} \quad \quad \quad \text{(1 mark)} \end{aligned}$$

$$\begin{aligned} \text{Fixed costs} &= \text{Total contribution} - \text{Profit} = \text{£15 900} - \text{£1850} = \text{£14 050} \\ &\quad \quad \quad \text{(1 mark)} \quad \quad \quad \text{(1 mark)} \end{aligned}$$

OR

$$\text{Fixed costs} = \text{Total costs} - \text{Variable costs} \text{ (1 mark)}$$

$$\begin{aligned} \text{Variable costs} &= \text{Revenue} - \text{Total contribution} = \text{£22 500} - \text{£15 900} \text{ (1 mark)} \\ &= \text{£6600} \text{ (1 mark)} \end{aligned}$$

$$\text{So Fixed costs} = \text{£20 650} - \text{£6600} = \text{£14 050} \text{ (1 mark)}$$

16.2 *Based on the data in Table 3, calculate the contribution per unit. Show your workings.*

[4 marks]**Marks for this question: AO1 = 2 and AO2 = 2**

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such contribution per unit (AO1).
- be applied to the context of the given data (AO2).

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Answer = £5.30 (4 marks)

Broken down as follows:

Number of units = Total revenue / Selling price **(1 mark)**
 = £22 500 / £7.50 = 3000 units **(1 mark)**

Contribution per unit = Total contribution / Number of units **(1 mark)**
 = £15 900 / 3000 = £5.30 **(1 mark)**

OR

TVC = Total costs – Fixed costs = £20 650 – £14 050 = £6600 **(1 mark)**

Number of units = Total revenue / Selling price
 = £22 500 / £7.50 = 3000 units **(1 mark)**

Variable cost per unit = TVC / Number of units
 = £6600 / 3000 = £2.20 **(1 mark)**

Contribution per unit = Selling price – Variable cost per unit
 = £7.50 – £2.20 = £5.30 **(1 mark)**

17 Explain **one** possible benefit of budgeting to a fast-growing business.

[4 marks]

Level	The candidate will typically:	Marks
3	Provide a well explained benefit of budgeting using knowledge and understanding applied to the context.	4 marks
2	Provide a reasonable explanation of a benefit of budgeting using knowledge and understanding with some application to context.	2–3 marks
1	Demonstrate some knowledge and understanding but the explanation of the benefit is limited and lacks application to context.	1 mark

Marks for this question: AO1 = 2 and AO2 = 2

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such budgeting (AO1).
- be applied to the context of a fast growing business (AO2).

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Areas for discussion include:

Budgeting is a form of financial planning.

- It sets targets for revenues, costs and profits. These can motivate managers and provide a focus for financial decision making.
- Budgets can be used to monitor targets and then review later on; they can be used as a control mechanism.
- A fast-growing business may involve new outgoings, and managers may want to set targets for these to control spending; they may also want to try to ensure profits are made by setting revenue targets to focus efforts on achieving them.
- In a fast-growing business new staff may be joining and budgets may help direct and coordinate actions.

18 Explain **one** way in which a significant increase in the exchange rate value of the pound against the US dollar could affect a UK-based producer of breakfast cereals that imports supplies from the USA.

[5 marks]

Marks for this question: AO1 = 2 and AO2 = 3

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4-5 marks
2	Provide a reasonable explanation using knowledge and understanding with some application to the context.	2-3 marks
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to context.	1 marks

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such exchange rates and importing (AO1).
- be applied to the context of a significant increase in the exchange rate (AO2).

Areas for discussion include:

The exchange rate is the value of one currency expressed in terms of another currency.

- An increase in the value of the £ means that more dollars can be bought for a given number of £s.
- This will mean that, even if there is no price change in the USA, a UK importer can buy more materials with the same sum of money. In effect, this means that the UK importer's costs will fall. Given that the increase in the exchange rate is significant this should mean a relatively large fall in costs.
- This can lead to lower prices (and more sales volume) charged by the cereal producer to the other intermediaries such as retailers; this may eventually affect the selling price and sales.
- If prices are kept the same it will mean higher profit margins for the cereal producer.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

19 *A small business that competes in a market where demand is price elastic is introducing a system of quality assurance. Analyse how quality assurance might improve its competitiveness.*

[9 marks]

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The candidate will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed and is applied effectively to the context.</p>	7–9 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question.</p> <p>demonstrates analysis which is developed and is applied to the context.</p>	4–6 marks
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development and with mainly descriptive application to the context.</p>	1–3 marks

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as the price elasticity of demand and quality assurance (AO1).
- be applied to the context of competing in a market where there is a price elastic demand (AO2).
- analyse the possible impact of introducing quality assurance on an organisation's competitiveness (AO3).

Areas for discussion include:

Quality assurance is based on 'right first time' and self-checking. Inspection is not carried out by a supervisor.

- Quality assurance may lead to fewer errors and therefore lower costs allowing lower prices; this may be important in a price elastic market. Costs may be lower due to fewer mistakes and fewer returns.
- It may improve customer satisfaction if it helps improve quality; this may enable the business to keep customers even if rivals offer lower prices. A small business is not likely to benefit from economies of scale and so may not be able to compete on price; better quality than rivals may be important to compete.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

20 *Some industries are dominated by a few large businesses. Analyse how these large businesses might increase their profits by influencing one of Porter’s five forces.*

[9 marks]

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The candidate will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed and is applied effectively to the context.</p>	7–9 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question.</p> <p>demonstrates analysis which is developed and is applied to the context.</p>	4–6 marks
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development and with mainly descriptive application to the context.</p>	1–3 marks

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as Porter's five forces (AO1).
- be applied to the context of industries dominated by large businesses (AO2).
- analyse the possible impact influencing one of Porter's five forces might have on profits (AO3).

Areas for discussion include:

Porter's five forces are: entry threat, rivalry, substitute threat, buyer power and supplier power.

A good response will link how large businesses could influence the five forces to increase profits, eg through reducing costs or increasing price.

Only one force needs to be analysed.

Answers may include:

- as large firms they may have the capability of buying supplies in significant quantities, reducing supplier power
- the possibility of joining together/colluding to reduce rivalry and gain power over suppliers. The fact there are only a few large firms may make collusion easier. This might enable higher prices and/or lower unit cost
- large firms may lobby government to gain protection and reduce entry threat, eg legal barriers to entry
- they may threaten new entrants and stop them wanting to enter; they have the resources to undercut any new entrant sending a signal to others not to enter.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Sections C and D**Total for these two sections: 2 × 25 = 50 marks****Marking grid for 25-mark questions**

Level	The candidate will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question.</p> <p>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question.</p> <p>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.</p>	21–25 marks
4	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.</p> <p>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</p>	16–20 marks
3	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question.</p>	11–15 marks

	<p>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.</p> <p>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole</p>	
2	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question.</p> <p>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</p> <ul style="list-style-type: none"> • 	6–10 marks
1	<p>A weak response overall lacking focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates isolated or imprecise knowledge and understanding.</p> <p>demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question.</p> <p>makes judgements or proposes solutions based on assertions.</p> <ul style="list-style-type: none"> • 	1–5 marks

Section C: 25 marks

21 *The managers of a multi-product business want to achieve a steady growth in sales. To what extent will an understanding of the product life cycle help them make effective marketing decisions?*

[25 marks]

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as product life cycle and marketing decisions (AO1).
- be applied to the context of a multi-product business wanting to achieve a steady growth in sales (AO2).
- analyse the possible impact of the product life cycle model on managers making marketing decisions (AO3).
- evaluate qualitative information to make an informed judgement on the extent to which an understanding of the product life cycle will help managers make effective marketing decisions. For example it may consider the need to use portfolio analysis to take an overview of all the products (AO4).

Reasons why the product life cycle might prove to be useful in this context:

- it allows the business to identify the life-cycle stages of each product in its portfolio
- the concept helps businesses to balance their product portfolio and ensure they have products at different stages, eg plan to realise new products as others decline
- future planning is guided as it enables businesses to identify areas of the market where new products should be introduced and declining products deleted; thus increasing sales in future years and achieving steady growth
- it guides the use of the marketing mix in various ways, such as penetration pricing for products in the introduction stage and high promotional spending in the growth period
- it highlights the need for extension strategies for particular products, such as targeting new markets or product modifications; these can be planned in accordance with the product's life cycle to achieve steady sales growth.

Reasons why the product life cycle has limited usefulness in this context:

- the exact life span of a product is very difficult to estimate in advance, limiting its usefulness for planning
- different products will have different life cycles and even similar products may spend different lengths of time in each stage
- external changes, such as new technology, can change a market and negate the benefits of planning based on life-cycle forecasts
- extension strategies can revive products that may have appeared to be in decline but were merely recording a setback during their maturity stage
- many products are withdrawn after unsuccessful launches, arguably not going through all four stages.

Overall:

- it will affect decisions regarding targeting, positioning and the marketing mix in relation to the marketing objective
- its usefulness will depend on the accuracy of sales forecasting

- in more dynamic markets it is likely to be less useful; in more traditional markets it can prove to be a very useful planning tool
- external changes can dramatically limit its reliability and usefulness
- it may be useful in conjunction with other analytical tools such as the Boston matrix and market research; in a multi-product business the managers may want an overview of how different products are performing.

In general the product life cycle may be more suited to stable markets, with low rates of change.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

22 *To what extent is training likely to be the best way to improve the performance of a retailer's workforce?*

[25 marks]

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as training, performance and motivation (AO1).
- be applied to a retail context (AO2).
- analyse the possible impact of training on workforce performance (AO3).
- evaluate qualitative information to make an informed judgement on whether training is the best way of improving the workforce performance in this context. For example it may compare training with other possible ways of improving performance in a retail context (AO4).

In order to assess whether training is the 'best' way to improve the performance of a retailer's workforce, analysis will include the benefits that training can provide. Evaluation can then provide a comparison between training and other methods of improving performance.

Reasons why training can improve the performance of the company's employees:

- training can ensure that employees settle into their role quickly and efficiently; often there is a relatively high labour turnover in retail so this might be significant
- training can increase productivity (eg number of transactions processed per hour) and therefore lower unit costs
- it may improve customer satisfaction and thus increase the company's revenue per employee
- training can increase the levels of responsibility, flexibility and adaptability to change, of employees
- it may increase motivation, through greater recognition and job satisfaction, and therefore improve the efficiency of the business; this may lead to more retention of staff and greater engagement
- it can help employees to appreciate the aims of an organisation and ensure that they work towards those aims.

However, improving employee performance can be achieved through other methods.

Other methods that might be used to improve employee performance:

- utilising theories of motivation in order to introduce methods to motivate employees, such as greater pay (Taylor) or job enrichment (Herzberg)
- improving the job design, eg greater variety or autonomy
- adapting the organisational structure to improve performance
- greater delegation or decentralisation

- improving employee–employer relations.

The methods above focus on HR approaches; approaches from other functional areas will also be credited, if relevant.

In the context of training for retailers, issues such as customer service, part-time employees and temporary employees may be relevant. Different forms of retailing (eg online v high street) and different tasks in retailing (eg stock control v sales assistant) may also be discussed.

Overall:

- the benefits of training will vary between different organisations according to the skills required from the employees
- an effective workforce is most likely to derive from a combination of HR policies such as high-quality workforce planning, excellent use of motivation theories, etc
- other functional areas, such as operations management, will also contribute to the effectiveness of employees.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Section D: 25 marks

23 *The managers of a public limited company believe that it is important for the business to behave ethically. To what extent do you think that an ethical approach to business decision making is now essential for managers in public limited companies?*

[25 marks]

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as a public limited company and ethics (AO1).
- be applied to the context of a public limited company at this time (“now”) (AO2).
- analyse the possible impact that an ethical or an unethical approach might have on the business (AO3).
- evaluate qualitative information to make an informed judgement on whether an ethical approach is essential. For example it may consider the pressures “now” and the pressures on public limited companies to decide it is essential or to evaluate the factors that might influence how important it is (AO4).

Possible causes of satisfaction/dissatisfaction amongst stakeholders:

- Public limited companies are owned by shareholders. Some investors may view profit as more important than ethical behaviour. Ethics may be seen as irrelevant provided the business acts legally. Managers may seek profits to reward investors. However, ethically minded shareholders, who may be growing in number, will prioritise business ethics above financial considerations and managers may therefore adopt an ethical approach. So it may depend on who the owners of the public limited company are and what their motives are.
- There may be greater pressure on managers than in the past from stakeholders for ethical behaviour; there is greater awareness of the behaviour of organisations and it is easier and quicker to communicate, so if there are ethical concerns they may become public rapidly. Criticisms of, for example, the treatment of employees by suppliers and the behaviour of banks in recent years may make managers wary of behaving unethically.
- Ethical behaviour may appeal to employees, particularly if it takes the form of ethical treatment of them; if it is getting more difficult to recruit or retain staff then managers may see ethical behaviour as essential. Similarly, suppliers, distributors, banks etc may be concerned about the ethical behaviour of a business and so to work with the best partners managers may decide that ethical behaviour is essential.
- Managers in public limited companies may be very concerned about the share price because of the impact on their jobs and in all probability their rewards; unethical behaviour may affect the share price if it becomes known.

Overall:

- a public company may be particularly open to scrutiny by stakeholders and the pressure on managers to behave ethically may be greater than for eg a private limited company
- the pressure for ethical behaviour now may be greater than in the past perhaps due to greater scrutiny
- managers may be guided by the shareholders’ wishes although this may depend on the degree of control that shareholders have

- it may depend on the stance taken by managers and whether they think this is an important aspect of business or not, ie the question of whether it is essential depends on their values and attitudes. Not all managers behave ethically, as can be seen by recent scandals.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

24 *A small start-up business has grown over time to become one of the biggest firms in its market. To what extent is it inevitable that the culture of a business will change over time as it grows significantly?*

[25 marks]

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Examples of how the assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as culture (AO1).
- analyse the possible impact of growth on the culture of a business (AO2).
- be applied to the context of significant growth (AO3).
- evaluate qualitative information to make an informed judgement on whether culture will inevitably change with significant growth. For example it may debate whether it depends on how it is managed or what form the growth takes (AO4).

Areas for discussion include:

- The culture of a business refers to the values, attitudes and beliefs of its employees.
- Over time the organisation may need more formalised roles, may need more rules and procedures and policies. This may introduce more bureaucracy. It may become more focused on committees rather than individual action. Greiner's model highlights how organisations hit various crisis points that affect decisions such as centralisation which might affect culture.
- Using Handy's model, the organisation may move from a power culture to more of a role culture as jobs become more clearly defined and formalised.
- Growth may bring in new employees with different expectations, ambitions, experiences and views; this may alter the culture and dilute/alter the initial values of the founders. This depends on whether the founders are involved in the recruitment and selection process, eg are people only employed if they adhere to the values of the founders and the corporate culture?
- Growth may bring complacency; there may be a sense of invincibility which may lead to excessive risk taking; on the other hand as the organisation grows it may become more 'corporate', more 'conservative' and less entrepreneurial.

The extent of change of culture will depend on:

- reward systems – are they designed to reinforce the original culture? Are they effective in doing so?
- strength of the existing culture – are its values appreciated? Has it been successful?
- actions taken to preserve the culture, eg training of employees
- the extent to which behaviours that reflect the culture are rewarded and those that do not are punished or lead to sanctions
- the way the business is structured, eg are small business units kept to retain the 'small business' feel?
- the way communication flows are managed, eg to try to ensure communication is cross functional, as would have been likely in the early years

- the pressures for change, eg as the strategy changes, as new markets are entered, as the business competes in new countries – all of this may bring exposure to new cultures (eg Hofstede) which affect the original culture of the business.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Assessment Objectives

	AO1	AO2	AO3	AO4	TOTAL
1–15	8	7			15
16.1	2	2			4
16.2	2	2			4
17	2	2			4
18	2	3			5
19	2	3	4		9
20	2	3	4		9
21 and 22	5	4	6	10	25
23 and 24	5	4	6	10	25
Paper total	30	30	20	20	100

