



A-level **BUSINESS**

Paper 3 Business 3

Insert

Source 1: SSN Ltd

Rapid early success

Ten years ago, Bemi Agboola perfected her first commercial cybersecurity system. The innovative software used a totally new approach to protect against hackers' attempts to steal customer data from retailers' e-commerce websites. Though others have produced similar systems, Bemi's business (SSN Ltd) is now well established in the cybersecurity market. The company has branched out into other aspects of cybersecurity by designing and installing tailor-made security systems for large businesses. At the heart of the business remains Bemi's programming – protected, like any piece of software code, by copyright. 5

Bemi has shown a fearless approach to making major decisions quickly. She does not see the need for strategic planning, preferring to seize opportunities as they arise. As a result, SSN Ltd has kept up with the high rate of technological change that characterises the cybersecurity industry. Bemi's approach to decision-making has enabled SSN Ltd to experience a phenomenal growth in sales (**Appendix A**). One consequence of this growth has been the need to expand its workforce. Bemi has hired programmers, administration, marketing and sales teams, many straight from university. From simple beginnings, the business now rents an expensive head office in London and regional offices in New York and Beijing. With over 100 employees across its three offices, Bemi feels it is increasingly hard to monitor what is happening within the business. 10 15

Bemi remains determined to keep increasing the company's share of the highly competitive cybersecurity market and therefore spends heavily on promoting the business and its products. The objective is to raise SSN Ltd's profile among global business leaders who are her potential customers, as a complement to more direct methods of targeting them (see **Appendix B**). 20

Problems emerging

Despite its growth in revenue, the company has always had a very low operating profit margin. Cash flow has been a major problem in the last few months. In the past, SSN Ltd had found it easy to borrow money. Now its bank has stated that it is no longer willing to increase SSN Ltd's overdraft. Part of SSN Ltd's problem has been slow payment from its customers. Bemi is considering the use of debt factoring to improve its cash flow. The debt factor would charge a fee of 5% of any debt that is factored. 25 30

Everybody working for SSN Ltd knows that the business is very much controlled by Bemi. She owns 51% of the shares and makes all major decisions. Managers who want to succeed within the company tend to be those who can anticipate Bemi's wishes and implement her ideas. Within this power culture, Bemi uses a very 'hands-on' approach, taking a keen interest in the work of her programmers. Bemi tries to drop into each office frequently. This is a habit that some managers feel is based on an unwillingness to fully delegate decision-making to them. This has created an environment where some staff expect Bemi to check or even reverse decisions they make. 35

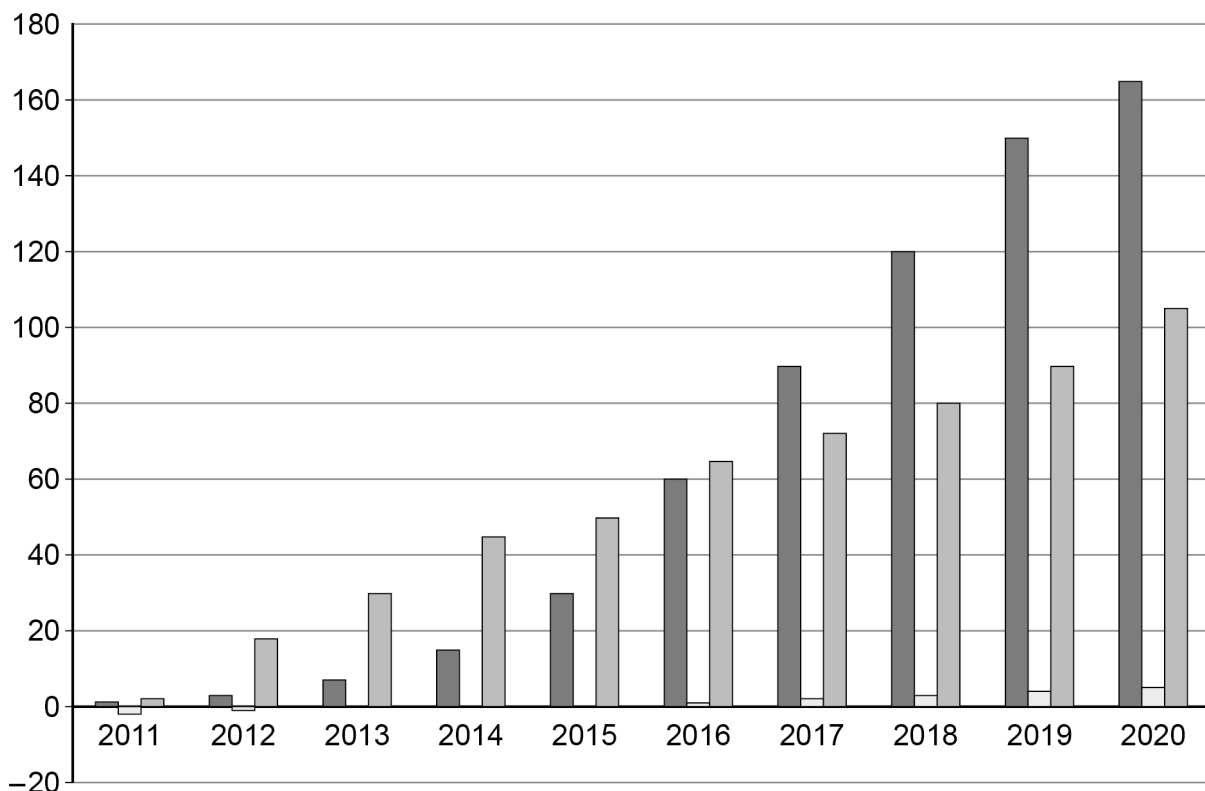
The future

The business media often features stories about SSN Ltd. Its expansion has been exceptional, even in a market which continues to grow rapidly. During the last year, Bemi has been increasingly criticised for the way she has been running the business. 40

This has centred on what some consider to be excessive risk-taking. In recent days, several sources have suggested that a major competitor is preparing a takeover offer for SSN Ltd. These rumours have suggested that the competitor may be prepared to pay £50m for SSN Ltd, primarily to acquire the copyright to SSN Ltd's software. Analysts say that this competitor is likely to shut down SSN Ltd, terminating the contracts of all staff but preserving the brand name and the software. 45

Detailed examination of SSN Ltd's financial information (**Appendix C**) suggests that the business may be close to failure. 50

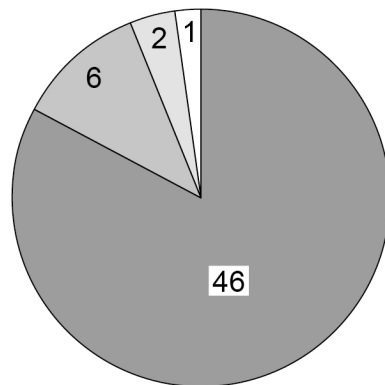
Appendix A SSN Ltd historic data



Key

- Revenue (£m)
- Operating profit/(loss) (£m)
- Employees

Appendix B SSN Ltd breakdown of 2020 promotional expenditure (£m)



Key

- Sponsorship of sporting and arts events
- Advertising in trade magazines and on websites
- Face to face personal selling
- Direct electronic communications

Appendix C

Table 1 SSN Ltd balance sheet (statement of financial position) as at 31/5/21

	£m
Non-current assets	25
Inventories	0.5
Receivables	16.5
Payables	(18)
Overdraft	(5)
Non-current liabilities	(18)
Net assets	1
Total equity	1

Table 2 SSN Ltd income statement for year ended 31/5/21

	£m
Sales turnover (revenue)	165
Cost of sales	(50)
Expenses	(110)
Operating profit	5
Net finance cost	(4)
Profit for the year	1
Dividends	(3)
Retained profit/(loss)	(2)

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