

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced Subsidiary GCE

BUSINESS STUDIES

Businesses, Their Objectives and Environment

CASE STUDY

JUNE 2006

May be opened and given to candidates upon receipt.

2871/CS

INSTRUCTIONS TO CANDIDATES

This copy may **not** be taken into the examination room.

The business described in this case study is entirely fictitious.

This case study consists of 4 printed pages.

GS Employment

- At the age of 32 Barry Goodwin had spent almost a third of his life in prison. He had developed a problem with drugs and alcohol in his teenage years and had drifted into petty crime. As his addiction worsened so did his offending. In October 2003 just after his wife, Nicola, gave birth to their first child he was sentenced for a number of burglaries and over the next few months began to contemplate his future in a way that he had never done before. He was determined to change his life. This was for a number of reasons. Nicola had told him that unless he promised to come off drugs once and for all she would move away taking their son with her. He was also assisted by forming a friendship with Mick Naylor, his cellmate. 5
- Mick was 10 years older than Barry and he had also been in prison for much of his life. He spoke to Barry in a way that made him rethink his life. 10
- “I’ve had enough of all this,” Mick told Barry during one of their many conversations. “I’ve wasted my life. You don’t want to end up like me.”
- “Yeah, but even off drugs, how am I going to get regular work when I get out? You know how hard it is for anyone with a record,” replied Barry. 15
- Barry was right. People with criminal records can face widespread discrimination when trying to find work. The resulting lack of money and anything to do often leads to further offending. Offenders are three times as likely to re-offend if unemployed.
- Barry and Mick were lucky; as part of the government’s financial support for training throughout the economy, their prison had a training initiative called “custody to work”. This meant that it had workshops which taught a number of different trades. Barry enrolled on the carpentry course and Mick, who had once started a plumbing apprenticeship, enrolled as a plumber and quickly realised how good he had once been. They worked hard and were successful. In March 2005 they were both released from prison. 20
25
- Within a few weeks both men found work on a large building site. It was only general labouring but at least the Site Manager, Mr. Mullins, did not seem bothered by their criminal records. At the end of the week when he paid them he took the trouble to say, “I wish there were more people like you two.”
- “Well there are,” said Mick. “I know several people who would jump at the chance of some work: people who want to prove themselves; people who are used to routine. They’ll show just how loyal and committed they are.” 30
- Mr. Mullins thought for a moment. “Alright, get me another two labourers for a start on Monday. Strictly on a trial basis – anything illegal and they’re sacked.”
- The two people Mick brought to the site worked well and Mr. Mullins was pleased. Two weeks later Barry and Mick were ‘promoted’ and allowed to use the skills they had learnt in prison. The next week Mr. Mullins asked Mick if he could find him tradesmen as well as labourers. Mick was only able to find one person but Mr. Mullins was still grateful. 35
- The building of houses on the site was scheduled to finish at the end of August and Barry and Mick began to feel a bit deflated; the future looked uncertain. Mr. Mullins, however, said that his firm was shortly to start work on a large office block on the other side of town and asked if they wanted to work on it. He also asked them to find labourers and craftsmen for the job. 40

That was the start of Barry's business idea. He began to wonder whether he and Mick could start a business making money by supplying workers to building sites. He put the idea to Mick. 45

After a lot of discussion between the two of them and some consultation with NACRO (The National Association for the Care and Resettlement of Offenders) they decided to give it a try. Mick's girlfriend, Ellie, who had also been in prison, thought it was an excellent idea and said that she would like to start the same sort of scheme finding work for female ex-prisoners. 50

"Too many agencies totally rip you off," she said to Mick. "If we charged less commission than the ones round here, and that wouldn't be hard, we could do well."

The scheme started at the end of September. News of what they were trying to do spread quickly by word of mouth and there were a surprisingly large number of people who came to them. The whole set up was run largely by Ellie from her flat. There were, of course, several people who let them down and failed to turn up for work regularly – or at all. Nevertheless there was a core they could rely on and their reputation grew. They quickly became so successful that Ellie complained to Mick and Barry that it was becoming hard for her to cope. "It's becoming impossible for me to keep track of who's where and which firms have paid us what," she said. "Some of our people are doing really well but we are owed loads of commission. I've started thinking 'why are we doing this?' Is our objective to help them or us?" 55 60

Eventually they agreed that they could not continue as they were and that they should get a proper office and some secretarial help. 65

Ellie found a suitable office to rent at a reasonable rate but even a brief list of their requirements made them realise that they would need to borrow some money. Barry made an appointment with the Small Business Adviser, Mr. Godber, at his bank.

Mr. Godber had a genuine desire to see Barry's business idea succeed but was not used to dealing with this sort of customer. Barry outlined his idea and pointed out how much money he had been able to pay into his account as a result of his scheme. 70

Then Mr. Godber spoke. "At the moment your whole set up is very....um... informal. I know what funds you've got in your account but I need much more detail. I have to ensure that the bank is going to get the money back. From what you say it must be chaos at times." 75

"That's why Mick and I want a proper office and to get a secretary to help."

"Look Barry, if you sort things out I don't think there will be a problem lending to you. I like the idea you've presented to me and I can see you are determined to succeed. But you will have to think through exactly how much you need and why. What you need the money for will partly determine how, and how much, the bank will lend to you. You need to come back to me with a much more specific outline of what you are trying to achieve. You also ought to give some thought as to what your 'partnership' means." 80 85

"We're good friends working together".

"Exactly. At the moment you are just friends working together. You really must sort out your choice of business organisation."

“What do you mean by that?” asked Barry in a puzzled tone.

Mr. Godber handed over the bank’s Small Business Guide. “Have a look through this and you’ll see what I’m getting at. You have the option of becoming a formal partnership or setting up your business as a private limited company. Getting the basics right is vital. Come back and see me in two weeks – I’ll book a longer appointment for you and we’ll go over everything in detail. Follow the guide and get your proposal down in writing along with some figures. Hopefully I’ll then be in a position to give you a decision, in principle at least, on whether you can have the money.” 90

Barry telephoned Mick and Ellie to tell them what had happened and they all agreed to meet the next day to clarify the issues Mr. Godber had raised.

At the meeting Barry was in an optimistic mood and he started by saying, “I’ve got a name for our firm – ‘GS Employment’. GS stands for ‘Going Straight’. What do you reckon?” 100

“It’ll do,” said Mick. “But there’s loads of other stuff to sort out such as...”

“Yeah you’re right, there are,” interrupted Barry. “One thing seems clear to me anyway. I’ve been reading the stuff that bloke at the bank gave me and been thinking about what he said we should do. We should become a formal partnership. It’s the best way to run the business.” 105

“Let’s leave that for the moment,” said Ellie. “As far as I’m concerned the most important thing is to plan out how much profit we’ll try to make. Mick said you told him that unless the bank is sure it’ll get the money back it won’t lend to us.” 110

Mick groaned. “That’s true but I think that before any of that we need to look at how much it’ll all cost. Until we know how much we’ll be paying out we can’t say how much profit we’ll make, can we?”

Barry realised that setting up the business in the way the bank wanted them to was not going to be as easy as he had thought. 115