General Certificate of Education
Advanced Level Examination
June 2010

Business Studies BUSS4

Unit 4 The Business Environment and Managing Change

Tuesday 22 June 2010 9.00 am to 10.45 am

For this paper you must have:
- a 12-page answer book.

You may use a calculator.

Time allowed
- 1 hour 45 minutes

Instructions
- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The **Examining Body** for this paper is AQA. The **Paper Reference** is BUSS4.
- Answer **one** question from **Section A** and **one** question from **Section B**.
- Do all rough work in your answer book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- You will be marked on your ability to:
  – use good English
  – organise information clearly
  – use specialist vocabulary where appropriate.

Research Theme – The Recent Recession in the UK

In your research on the recent recession in the UK you should consider:

- how the recession can create opportunities and threats for businesses and industries
- the long-term strategies and short-term plans adopted by businesses in the recession
- factors influencing the strategies businesses adopt in the recession
- strategies that businesses could have adopted to prepare for the recession
- the possible impact of the recession on stakeholders and on relationships between businesses and their stakeholders
- the case for and against different businesses and industries receiving government financial support during a recession.

Your research should consider the effects of and reaction to the recent recession in the UK in relation to different businesses and industries.

You should make reference to your research in your responses to **Section A** in the examination.

SECTION A

Answer **one** question from this section.

Read the item below and then answer **one** of the questions that follow.

The UK Motor Industry

According to the Society of Motor Manufacturers and Traders (SMMT), in early 2009, UK sales of new cars and other vehicles were the lowest for 35 years. The fall in sales created cash flow problems for vehicle manufacturers; these were made worse by suppliers demanding quick payment. To stay in business, vehicle manufacturers in the UK adopted strategies that cut costs. Companies were forced to make redundancies and, in some cases, halt production because of a lack of demand both domestically and abroad. The GMB trade union announced that it was afraid that at least 25% of all jobs in the motor industry were likely to be lost in the recession.

To help the motor industry, the UK government put together a financial rescue package of loans, and guarantees for loans, worth £2.5 billion. The support focused on investment to promote a 'step change' into more environmentally friendly engines. The industry has been criticised for being slow to invest in this area in the past. Subsidies were also provided to customers buying new cars.

Not everyone supports such intervention. Sir Richard Branson, founder of the Virgin Group said, "Companies need to stand on their own two feet, and the weak ones need to go to the wall."

The UK motor industry:

- includes 27 car and other vehicle manufacturers that operate in the UK, such as Aston Martin, BMW, Honda, Nissan and Toyota
- produces 1.75 million cars and other vehicles each year
- supplies over 100 markets worldwide
- has an annual turnover of about £50 billion
- directly employs some 190 000 people in the UK and indirectly supports 850 000 jobs in the components and retail sectors.

EITHER

0 1 With reference to the item above and your own research, to what extent do you think that cutting costs is the best strategy for businesses to adopt in a recession? *(40 marks)*

OR

0 2 With reference to the item above and your own research, to what extent do you think that the UK motor industry deserves government financial support more than other industries? *(40 marks)*

Turn over for Section B

SECTION B

Answer **one** question from this section.

0 3 BP is a multinational energy business that has 92 000 employees and operates in 100 countries. When a new chief executive was recruited internally at BP, he promised to improve the company's disappointing performance by quickly changing its culture to become more innovative and more responsive to its customers. How easy do you think it is for a new chief executive to change the culture of an organisation quickly? Justify your answer with reference to BP and/or other businesses that you know. *(40 marks)*

0 4 Many large businesses have made bad strategic decisions at some point. For example, Microsoft was slow to realise the opportunities created by the internet whilst Marks and Spencer had to close many of the stores it had opened abroad. What do you think are the main reasons for big businesses sometimes making bad decisions? Justify your answer with reference to Microsoft and Marks and Spencer and/or other businesses that you know. *(40 marks)*

0 5 The UK bottled water market has been dominated by firms such as Nestlé and Danone for many years. Coca-Cola, the soft drinks producer, recently entered the bottled water market in a number of countries, including the UK, with brands such as Malvern and Glacéau. What do you think is the best strategy for existing businesses to adopt in response to the entry of a new large competitor? Justify your answer with reference to the UK bottled water market and/or other markets that you know. *(40 marks)*

END OF QUESTIONS

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