
A-level
BUSINESS
7132/3

Paper 3 Business 3

Mark scheme

June 2023

Version: 1.0 Final



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 Examiner.

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.

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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 the average performance for the level. There are marks in each level.

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 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 can help with this. The exemplar materials used during standardisation will help. 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.

Marking guidance

- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a limited response? A reasonable one? A good one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at; refer back to standardisation scripts regularly.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response 'well-argued' but does not focus fully on the issue of 'long term' feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

K U	Knowledge and understanding – used to credit knowledge of the specification and also to acknowledge 'points' made in relation to the question , perhaps explained, but once the point has some analytical dev, annotate AN or R
AN	Analytical but lacks context, ie a theoretical line of argument
R	Argument (analysis in context) (Ignore re-telling on the screen)
G	Do not use
DP	Developed argument (well-developed analysis in context)
EVAL	Judgement with support
Q?	Losing/lost focus – not fully focused on the demands of the question
Bal	Balanced response eg both sides acknowledged
BD	Benefit of doubt – though there is some uncertainty over the student's meaning , the point or aspect of the argument will be accepted as creditworthy
NR	Not relevant – ie not answering the question – response has drifted from answering the question set. When using, be sure to read the whole response carefully – students will often drift back to answering the question later in their response – normal annotation should resume whenever they come back to addressing the demands of the question
O	Own figure rule – to be annotated where a valid argument develops following a miscalculation (ie a wrong answer is used correctly) (Ignore overview/ collation)
SEEN Tear drop Icon	Used to show work has been read but contains nothing creditworthy – please check carefully (See NR)
☑	ONLY used to show a correct calculation – please use KU when annotating valid points
☒	To show an incorrect calculation or a clearly incorrect link in a chain of logic – if in doubt, do not cross, use BD
☐	Txt Box Comments must be made at the end of a response with level and mark with explanation of why it has been awarded. Level to be included.
?	Meaning unclear
Highlighter	Highlighter

The following should be used at the end of the response in addition to a text box.

L1	L1
L2	L2
L3	L3
L4	L4
L5	L5

Level must be awarded within final comment text box and outside of it using relevant level. Refer to standardisation scripts.

0	1	Analyse why Logger Boards Ltd prioritises meeting environmental objectives when making operational decisions.	[12 marks]
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Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that: <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. 	9–12
2	A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that: <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. 	5–8
1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context. 	1–4

The demands of this question are:

- understand the meaning of environmental objectives and operational decisions
- link these to Logger Boards Ltd
- to analyse why environmental objectives may be prioritised when making operational decisions.

There is no requirement for more than one reason to be analysed

Indicative content:

Operational decisions may include decisions relating to inventory, supply chains, quality, technology, resource mix, production methods or any other valid decision. Operational decisions mention in the Item include:

- use of only recycled materials
- use of energy exclusively from renewable sources
- on-site wind turbine
- solar panelled roof
- waste-water filtering and reuse.

Reasons for prioritising environmental objectives:

- owner's personal values – Bodhi is clearly passionate about the environment and the impact of surfing on the environment
- contributes to strong sense of mission – a key part of the business' purpose is to help to improve the environment

- matches consumers' preference – some customers clearly value Logger Boards Ltd's commitment to the environment – the company image would be damaged if he failed to prioritise environmental objectives
- ties in with USP/point of differentiation – without this prioritisation the company's image would be shattered
- allows premium pricing – there is evidence that customers will pay premium prices for an environmentally produced board
- may attract highly skilled employees who share these values – Logger Boards Ltd only uses highly skilled employees.

Accept other relevant arguments.

0	2	Logger Boards Ltd's growth has been organic rather than external.
		Analyse why Bodhi may have preferred organic growth to external growth.
		[12 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student 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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. 	9–12
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. 	5–8
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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context. 	1–4

The demands of this question are:

- shows understanding of organic (internal) growth
- analyses why organic growth may be preferable to external growth
- in the context of Logger Boards Ltd.

There is no requirement for more than one reason to be analysed

Indicative content:

- internal growth helps Bodhi to maintain control – an issue that the case study says is of concern to Bodhi if the business gets bigger. It's very much Bodhi's business – he would be keen to ensure that he remains in full control of strategic and operational decision-making
- internal growth tends to carry lower levels of risk – Bodhi is risk averse and would therefore prefer to avoid the greater risks involved in external growth
- internal growth makes it easier to stick to Logger Boards Ltd's principles/values relating to the environment – which appear to be at the foundation of Logger Boards Ltd's success
- buying failed competitors or suppliers may infect Logger Boards Ltd with the problems that may have caused these businesses to be sold off.

Accept other relevant arguments.

0	3	To what extent does the data in Appendix A suggest that building the new production facility will improve Logger Boards Ltd's operational efficiency?	[16 marks]
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	13–16
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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	9–12
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	5–8
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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	1–4

The demands of this question are:

- analyses the impact of the new production facility on operational efficiency
- uses data from **Appendix A**
- makes a judgement on the extent to which the data shows an improvement in operational efficiency.

Indicative content:**Indications that operational efficiency will improve:**

- productivity is forecast to rise from 500 to 600 units per worker per year – this should lower labour cost per unit
- capacity will be higher – increasing threefold from 2 500 to 7 500
- the variable cost per unit is forecast to fall from £300 per unit ($\text{£}750\,000/2\,500$) to £266.67 per unit (total cost per unit = £350, of which fixed cost per unit = $\text{£}250\,000/3\,000 = \text{£}83.33$, so variable cost per unit = £266.67).

Indications that operational efficiency will not improve:

- no change to total cost per unit
- capacity utilisation falls from 100% to 40%
- there is a small reduction in the % of waste that is recycled.

Accept other relevant arguments.

Note – arguments using data from **Appendix B** can be credited, but not as meeting the second demand of the question.

Evaluation

An effective judgement should flow from the arguments presented, which should relate clearly to the data in **Appendix A**. Judgement is likely to come through a measured assessment of the extent to which operational efficiency will improve, though this looks likely to depend on future demand – if the business can increase capacity utilisation in the future through increased sales, unit costs will fall.

Students that point out that the data for the new workshop is a forecast can be credited where this observation is used to specifically address the question of improvement in operational efficiency – most notably in identifying the pivotal role that future sales will play in determining capacity utilisation and cost per unit.

Noting that the forecast data may allow for teething troubles in the first year of the new workshop should also be credited.

0	4	<p>If the new production facility is built, Bodhi will aim to increase sales.</p> <p>To what extent is Bodhi likely to be able to increase sales using his current approach to promotion?</p> <p>Use Appendix C and other information to justify your answer.</p> <p style="text-align: right;">[16 marks]</p>
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	13–16
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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	9–12
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	5–8

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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	1–4
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The demands of this question are:

- uses data from **Appendix C** and other information to analyse likely effectiveness of social media as a form of promotion for Logger Boards Ltd
- in the context of needing to increase sales
- makes a judgement on the extent to which the current approach to promotion is likely to increase sales.

Indicative content:

Arguments in favour of maintaining social media as the only form of promotion:

- the current approach to promotion has worked well so far – Bodhi has many followers, the business is working at maximum capacity and is profitable
- the case study states that ‘demand for Logger Boards Ltd surfboards is expected to keep growing’
- Logger Boards Ltd is selling to a small niche market – social media may be an ideal way to target a small niche in a cost-effective way
- although most customers are in higher age brackets, while followers are young, it is plausible that parents may be buying surfboards for their children – the current approach to promotion may generate ‘pester power’.

Arguments against maintaining social media as the only form of promotion:

- the data in **Appendix C** shows that Bodhi’s social media followers aren’t his customers. Logger Boards Ltd’s customers are relatively old and on relatively high incomes, however, Bodhi’s followers tend to be younger and on lower incomes
- the success of the business following a move to the new workshop depends on a substantial increase in demand – current demand has grown over 25 years – suggesting this natural growth may be too slow to generate the sales needed to enjoy the operational and financial advantages of the larger workshop.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement will come through the assessment of whether this approach will increase sales – given the information provided within **Appendix C** and elsewhere in the case study. **Appendix C** data must bring into question whether social media has in fact had only a coincidental effect on the success of the business, although arguments do exist for maintaining this approach.

Although responses that illustrate their counter-argument with reference to possible additional methods of promotion can be credited, the focus of this question is tightly worded to require a judgement on whether the current method will increase sales. There is no requirement to recommend alternative or additional methods.

0	5	<p>Logger Boards Ltd has been offered a bank loan at 5% interest per year for the £500 000 needed to finance the building of its new production facility.</p> <p>Using Appendix B and other information, to what extent is using a bank loan too big a risk for the business?</p> <p>Use quantitative and qualitative information to justify your view.</p> <p style="text-align: right;">[20 marks]</p>
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Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout. 	17–20
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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	13–16
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	9–12
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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context and considers a limited number of issues in the question 	5–8

	<ul style="list-style-type: none"> • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	
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> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–4

The demands of this question are:

- demonstrates a clear understanding of a bank loan as a source of finance
- uses quantitative and qualitative information including **Appendix B**
- analyses the impact of the extra borrowing on Logger Boards Ltd's level of risk
- makes a justified judgement on whether the risk of using a bank loan is too big for Logger Boards Ltd.

Indicative content:

Arguments suggesting the loan would be too great a risk:

- borrowing an extra £500 000 pushes Logger Boards Ltd's gearing ratio closer to 50% (from 28.57% to 47.37%)
- interest payments will rise – increasing the net finance cost reducing profit for the year
- demand is not guaranteed in the long term – paying back the loan plus interest will be difficult if demand fails to increase or even falls
- the business has a low tolerance for risk – reflecting Bodhi's risk averse approach – which has enabled the business to thrive for 25 years.

Arguments suggesting the loan would not be too great a risk:

- current ratio is healthy – 2.05 – suggesting that although interest payments will place a greater strain on the company's liquidity, Logger Boards Ltd is well-placed to deal with this
- gearing ratio remains under 50%
- interest rates are low (5%) – interest payments will be (5% of £500 000) £25 000 per year – relatively low, given last year's profit for the year of £230 000
- Logger Boards' products have been popular from the beginning and demand is expected to keep growing.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on whether the extra risk involved in borrowing is too great for Logger Boards Ltd. Extraneous examination of the wisdom of the growth strategy is not relevant.

A reflection on the role of risk in any business should recognize that any business decision involves some risk, even a risk-averse company such as Logger Boards Ltd will need to accept a certain level of risk in order to keep trading. Although taking the loan will increase Logger Boards Ltd's level of financial risk, the move does not seem excessively risky.

0	6	Many businesses have a strategy of growth.
		To what extent does the success of a growth strategy for any business depend mainly on its leadership?
		[24 marks]

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout. 	21–24
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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	16–20
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	11–15
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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	6–10

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> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5
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The demands of this question are:

- analyses the importance of leadership and at least one other factor in determining the success of a growth strategy
- for any business
- makes a justified judgement on whether the business' leadership is the main determinant of a growth strategy's success.

Indicative content:

Arguments suggesting success of a growth strategy depends mainly on leadership:

- the leader is likely to be responsible for culture, strategic decision-making and ensuring execution, plus potentially providing the sense of purpose or mission for the organisation
- the leader is responsible for major strategic decisions such as how growth is to be funded, how the business' structure will need to be changed and how effective communication can be maintained in the growing business – potentially minimising the effects of diseconomies of scale
- the success of any strategy is likely to be determined by the extent to which the leader makes the right decisions
- a strategy that all staff buy into is more likely to be effective, here the role of the leader as the seller of a vision is critical
- one role of leadership will be to ensure that employees remain motivated as the business grows
- Greiner's model of growth does suggest that some crises need an adjustment of leadership style.

Arguments suggesting the leader's role is not the main determinant of success of a growth strategy:

- leadership, structure and communication are all likely to matter. Without the right structural change, diseconomies of scale may arise when growing reducing the likelihood of success of a growth strategy
- strategic planning and execution are likely to be important – the leader cannot do everything – execution from other staff is required if a strategy is to be implemented effectively
- many external factors can affect the success of any strategy – by definition, these will be outside the control of the leader
- Greiner's model of growth suggests that there are several stages in the growth of a business where systems need adapting rather than any obvious leadership actions are important.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of situations in which the statement could be true weighed up against situations in which it is not. The judgement should be focused on a strategy of growth, rather than general success of a business.

The leader will be able to influence many if not all of the internal factors influencing success. The leader's vision/planning may even be able to allow for the effects of external factors; however, it is naïve to suggest that the leader can control all factors affecting a strategy of growth. The validity of the statement may be dependent upon the size of the business, volatility of external factors and the leader them self, perhaps the style of leadership they adopt.

Appendix 1 – Other possibly relevant calculations

Income Statements

Current Situation		Projected	
	£000's		£000's
Sales Turnover	1,125	X 1.2	1,350
Cost of Sales	750	X 1.2	900
Gross Profit	375	X 1.2	450
Expenses	125		250
Operating Profit	250		200
Finance costs	20		45
Profit for the year	230		155

Revenue of £1,125,000 / 2,500 units = a price of £450 per board

Assuming same relationship between Price and VC

GPM = 33.3% or multiply through by 1.2 to reflect the increase in output.

Contribution per unit = Price of £450 – VC of 300 = £150

Old Break-even

FC of £125,000 / CPU of 150 = 833.3 or 834 units

Projected

FC of £250,000 / CPU of £150 = 1,666.67 or 1,667 units

Compound interest rates

Year 1	£525,000
Year2	£551,250
Year 3	£578,812.5
Year 4	£607,753.125
Year 5	£638,140.781