

General Certificate of Education
June 2007
Advanced Level Examination



BUSINESS STUDIES
Unit 6

BUS6

Thursday 21 June 2007 1.30 pm to 3.00 pm

For this paper you must have:

- a 12-page answer book.

You may use a calculator.

Time allowed: 1 hour 30 minutes

Instructions

- Use blue or black ink or 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 BUS6.
- Answer **all** questions.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 84.
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.
- This unit assesses your understanding of the relationship between the different aspects of Business Studies.

Read the Case Study and answer **all** the questions that follow.

Google

“Google is not a conventional company. We do not intend to become one.”

Source: www.google.com

Google started in 1996 and now operates the world’s most successful search engine, carrying out about 200 million searches of the internet every day across the world. It is the market leader in the UK, with a 70% market share. It has consistently been the most successful and profitable internet company in the world (see **Appendix A** for a summary of its global performance).

Almost everything about Google is unusual. For a long time it remained a single product company, when most others diversified. It grew rapidly at a time when many other internet companies that started in the ‘dot.com’ boom either went out of business completely or made huge losses. While many businesses grew through mergers funded from share issues, Google’s early growth was from internal sources. Rivals spent large marketing budgets building brand identity, whilst Google spent very little on promotion, relying on word of mouth to build brand strength.

Google is a large company, yet maintains many of the features of a small one, with a relaxed approach to business and a very informal organisational culture. The owners insist that work should be fun and they have often been quoted as saying that they do not take anything seriously apart from their search engine.

Google’s organisational culture and structure are unique. Employees work in relaxed surroundings and are encouraged to be creative and innovative. Many of the offices feature musical instruments, pool tables and sofas. Employees can bring their children or pets to work. Offices are open plan, with different teams working next to each other. This lack of physical barriers creates an informal atmosphere and good communication. Decisions are as likely to be taken by people relaxing on a sofa or in the lunch queue as they are in a meeting. There is very little hierarchy or formal organisational structure. Approximately 50% of employees work in research and development and each is encouraged to spend the equivalent of one day a week on independent projects.

In addition to the benefits of the relaxed working environment, employees own shares in the company. There is a Founders’ Award, in which employees are rewarded for successful work with additional shares. Some have become millionaires as a consequence of their shares in Google.

Ninety-five per cent of Google’s revenue comes from advertisers who wish to target the promotion of their products and services at potential customers. For instance, people using Google to search for hotels in London will find paid-for adverts for London hotels alongside their search results. Google’s search engine allows advertisers to target their adverts at those most likely to be interested and to monitor how often people click on them. Advertisers can change their adverts in response to customer feedback.

Despite operating in a competitive market, Google takes an ethical stance on decision-making. For example, Google has an ethical approach to how adverts appear on its search engine. It believes its users should be able to tell the difference between the search results and a paid-for advert, which is always clearly identified as a ‘sponsored link’. Also, if an advert is not relevant to the search, it will not appear next to the search results. In addition, Google does not allow irrelevant pop-ups to appear in search results.

Google's market dominance is being threatened. In 2003, one of its rivals, Yahoo, stopped using Google's technology and introduced its own technology in its search engine. Bill Gates has set Microsoft the target of integrating its own search function into Windows and beating Google's market share by 2007.

Part of Google's problem is that, although it has a strong brand, it knows that its users are only a mouse click away from a rival's search engine. In 2004, Google increased its product range. The company introduced a free web-based email service called Gmail, and an online price comparison service called Froogle. It continues to look for other product developments. All this is happening at the same time as it continues to improve the speed and accuracy of its search engine. It is essential that Google continues to maintain its technical superiority, whilst also diverting resources towards new product developments such as Gmail and Froogle.

In 2004, Google became a public company in the US and sold shares. The 2004 flotation was followed a year later by the issue of more shares. The benefits of the share issues included more capital for investment in product improvement and new product development. However, does becoming a public company mean the end of the relaxed and ethical approach to business? There will undoubtedly be pressure on Google to generate dividends for shareholders, which it had, up to this point, resisted, and to become more risk averse. Also, a flotation means more scrutiny of the financial health of the company and more regulation. Google will have to make frequent reports on its performance, and there might be pressure to seek short-term profits at the expense of longer-term aims.

Some analysts wondered whether Google could continue to operate in its own unique way. Could a large company employing over 4000 people continue to be ethical, unconventional and to place such an emphasis on fun, or would it have to take things more seriously?

Turn over for appendices and questions

Turn over ►

Appendix A: Summary of data relating to Google's performance and global market

	2003	2004	2005
Global sales (£)	885m	1.92bn	3.2bn
Global profits (£)	64m	240m	860m

	Google	Yahoo	Ask Jeeves
Increase in searches during 1st half of 2005	6%	9%	16%

Appendix B: Summary of UK internet use 2005/06 – 2006/07

	2005/06	2006/07
% of households in UK using internet	58	68
% of men in UK using internet	61	71
% of women in UK using internet	54	65
% of people in UK aged 16–24 using internet	85	92
% of people in UK aged 55+ using internet	27	40
% of UK households using internet to purchase goods and services	79	85
% of UK households using email	72	85

Appendix C: Summary of forecasts of UK economic indicators 2007–2009

	2007	2008	2009
GDP growth (%)	2.6	2.7	2.6
Inflation (%)	2.0	2.0	2.1
Interest rates	4.5	4.7	4.8

Source: *HM Treasury*

- 1 Discuss the possible value to Google of incorporating business ethics in its decision-making. (14 marks)
- 2 Google is moving away from being a single product company. Assess the difficulties that Google might face when increasing its product range. (16 marks)
- 3 Assess the likely impact of the data in **Appendices A, B and C** on the future performance of Google in the UK. (16 marks)
- 4 Evaluate the advantages and disadvantages to Google of making greater use of external sources of finance for its future growth. (16 marks)
- 5 Google has grown significantly in recent years and its market is becoming more complex and competitive. To what extent do you think it is a strength or a weakness that Google remains determined to have an unconventional organisational culture? (18 marks)

END OF QUESTIONS