

SECTION A

Answer ALL parts of Question 1 after reading Evidence A and Evidence B.

Evidence A

‘Googley’ Corporate Culture Breeds Innovation

To understand the corporate culture at Google Inc., take a look at the toilets. Every bathroom stall on the company campus holds a Japanese high-tech commode with a heated seat. The toilets reflect Google’s general philosophy of work. Generous, quirky perks keep employees happy and thinking in unconventional ways, helping Google innovate as it rapidly expands into new lines of business. Employees work in colourful, glass-encased offices and are offered free meals three times a day; free use of an outdoor wave pool, indoor gym and large child care facility. Outside, they whiz by on company-provided motorized scooters or mingle on grassy areas and chairs under brightly coloured umbrellas. There’s little in the way of corporate hierarchy and everyone has several responsibilities. Google employees are encouraged to propose wild, ambitious ideas and supervisors assign small teams to see if the ideas work.

Adapted from www.google.com viewed on April 2007

Evidence B

Bob Lane’s Revolution

Bob Lane’s management philosophy has helped John Deere, an American agricultural-equipment firm to reap a record harvest. Share prices have risen by over 300% since 2000 when Mr Lane took charge. The global boom in agriculture is leading to record demand for John Deere’s products, including combine harvesters, balers and seeders, as well as tractors.

John Deere sells its products in 130 countries and makes them in 16. It exports the small, durable tractors it makes in India back to America. In Brazil, a major market for John Deere, demand is picking up again due to the appreciation of the Real (the Brazilian currency).

Prior to Bob Lane’s appointment, the company’s working practices were old and slow, reflecting a decision-making process dominated by trade unions. It had too much working capital and too much gear sitting unsold in showrooms. It was, says Mr Lane, “asset-heavy and margin-lean”. He has made big changes in the way John Deere is run and it seems to be working. Productivity is up by 11% and there is far less equipment wasting away at dealerships, thanks to new, lean just-in-time production. But the big test is whether John Deere can maintain strong performance over an entire business cycle.

Adapted from *The Economist* April 2007



1. (a) What is meant by:

(i) 'corporate culture' (Evidence A, line 1).

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(2)

(ii) 'hierarchy' (Evidence A, line 9).

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(2)

(iii) 'working capital' (Evidence B, line 12).

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(2)



SECTION B

Answer EITHER Question 2 OR Question 3 after reading Evidence C, D and E.

Evidence C

Ethanol

As a green fuel, ethanol is a good idea, but the sort that America produces is bad. America's use of corn (maize) to make ethanol biofuel, which can then be blended with petrol, has already driven up the price of corn, and since corn is used to feed animals the price of meat rises too. The food supply is being diverted to feed America's hungry cars. Production is growing by 25% a year because the government pays a subsidy for domestic production. As a result, refineries are popping up all over the Midwest of America. But corn-based ethanol, the sort produced in America, is neither cheap nor green. It requires almost as much energy to produce as it releases when it is burned. The subsidies on it cost taxpayers somewhere between \$5.5 billion and \$7.3 billion a year. The US policy of subsidies is in sharp contrast to the European policy of congestion charges and road pricing.

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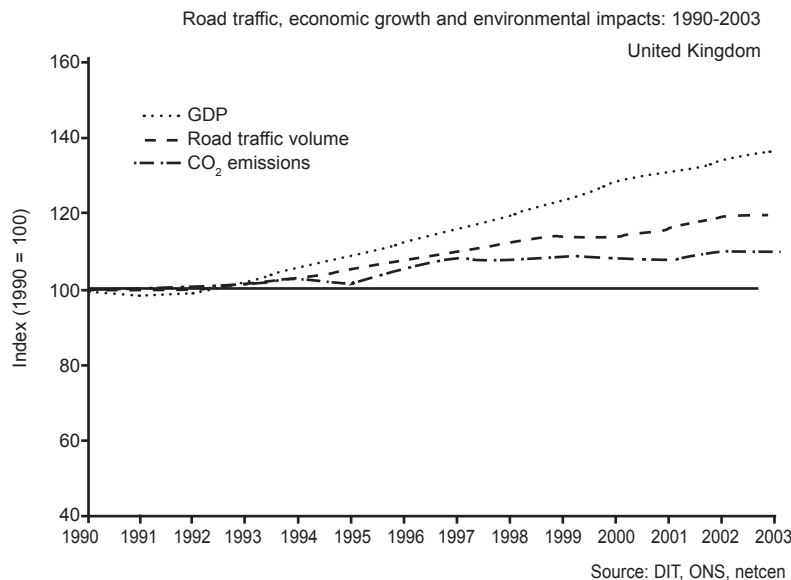
Adapted from *The Economist* April 2007

Evidence D

Environmentally Friendly Industries

The world market for environmentally friendly goods and services was valued at US\$515 billion in 2000 and was forecast to increase to US\$688 billion by 2010. In the last 10 years, the global markets for environmentally friendly goods and services have developed enormously and it is anticipated that the next 10 years will see even more substantial change. The UK environmentally friendly industry is strong, well established and diverse, employing approximately 400,000 people in around 17,000 companies, with an estimated annual turnover of £25 billion.

Adapted from <http://www.dti.gov.uk/sectors/environmental/index.html>



Adapted from <http://www.defra.gov.uk/environment/statistics/index.htm>



Evidence E

Social and environmental responsibility can be profitable

What do a food retailer, a sports clothing company and a carpet manufacturer have in common? They are all very successful companies demonstrating that caring for people and the planet is good business.

Whole Foods, a leading food retailer, supports sustainable agriculture by selling organically grown foods to help reduce pesticide use and promote soil conservation. Patagonia, a successful sports clothing company, prints its catalogues on 100% recycled paper; makes clothes with 100% organic cotton instead of cotton grown using pesticides; and makes fleeces from recycled soda bottles.

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Interface, the world's largest commercial carpet manufacturer, has a carpet reclamation programme that has diverted more than 3,000,000 yards of carpet from landfills since 1994. Interface also makes a carpet backing from a minimum of 40% recycled material.

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Adapted from http://www.cleanhouston.org/living/better_world/responsibility.htm
by Vicky Wolf, October 2005



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SECTION C

EITHER **Answer EITHER Question 4 OR Question 5.**

4. (a) Examine the importance of corporate culture to a firm such as Google. (10)

(b) Evaluate the likely effects of the business cycle on a manufacturing firm such as John Deere. (20)

Q4

(Total 30 marks)

OR

5. (a) Examine the social costs and benefits of increased road use. (10)

(b) Evaluate **two** policy options open to the government to reduce pollution caused by road use. (20)

Q5

(Total 30 marks)

**Indicate which question you are answering by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).**

Chosen question number: **Question 4** **Question 5**

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