

INTERNATIONAL A-LEVEL BUSINESS

UNIT 4: BUSINESS DECISION-MAKING

Insert – Section B

Case study: Carl comes to Tana plc

Tana plc is a computer games business. The company has had some major successes in the last twelve years and has built up a reputation for developing some award-winning games thanks to its highly talented staff. However, recently its shareholders have been concerned about the company's financial performance following the changes that had been made by Chief Executive Linda.

Linda had been appointed in 2014. She introduced new systems to control and measure performance throughout the business. She cut costs wherever she could to try and boost profits. More targets were set for managers and they were held more accountable for outcomes. Budgets became part of everyday life. Linda also changed many of the reward systems for staff. Under her leadership there was less delegation and all significant decisions had to be approved by various committees led by her. Many staff felt that they now spent their time filling in forms. Last month Linda was asked to leave.

The new Chief Executive Carl is now undertaking a review of the business. He has a good track record of success at another games company and is known for his consultative style. Staff at Tana are clear that change is needed. Carl's objective is to significantly improve the financial performance of the business over the next five years.

Table 1 Marketing data

Item	2014	2017
Market growth for computer games	15%	20%
Tana's market share	11%	6%
Tana's sales from games launched in last 3 years	60%	40%
Tana's marketing budget as % turnover	5%	3%

Figure 1 Product portfolio for Tana plc in 2017

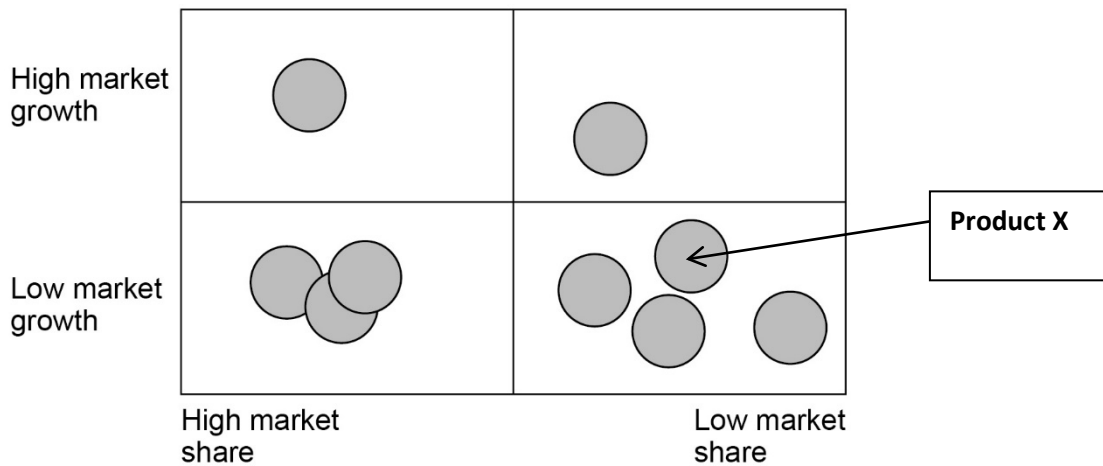


Figure 2

The data below shows the network analysis for the next new game from Tana. Carl has asked for this information to see if the product will be ready for the major trade show which is in 13 weeks. If the game is not ready in time the sales are likely to be lower than needed to make a good return on the investment.

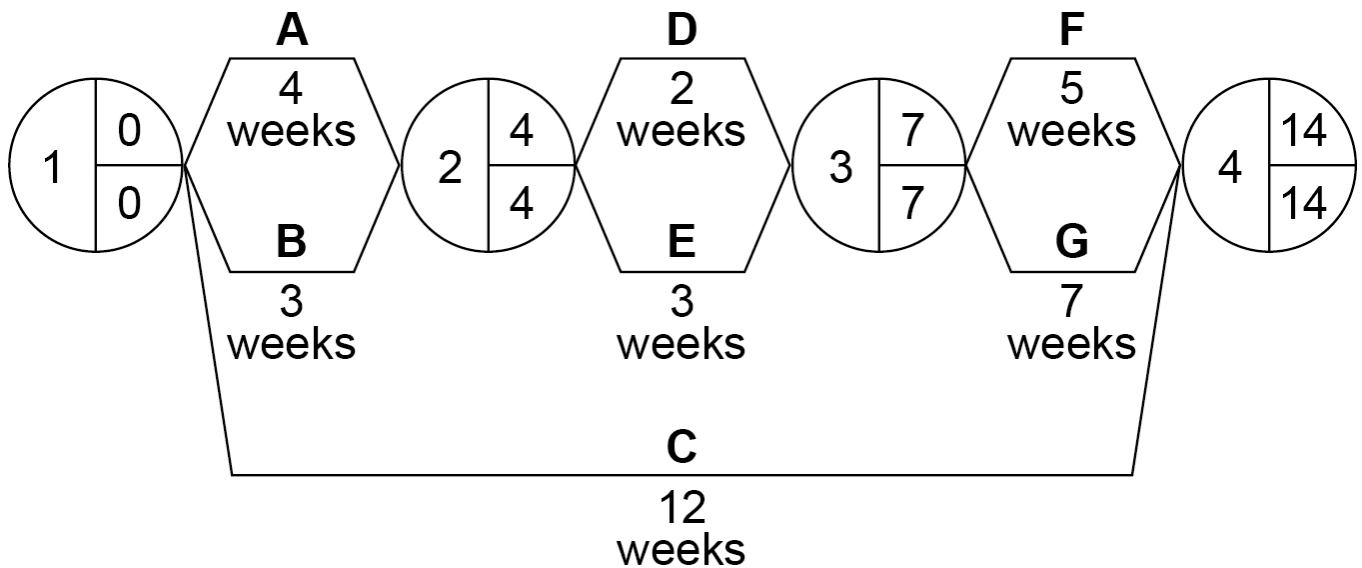


Table 2 Financial extracts for Tana plc 2017

Non-current assets	\$100 m
Current assets	\$90 m
Current liabilities	\$35 m
Non-current liabilities	\$20 m
Shareholders' funds	\$135 m
Profit for the financial year 2017	\$4 m

Table 3 Operations and finance data for Tana plc

Item	2014	2017
Index of investment in research and development (industry average = 100)	120	80
Cost of borrowing	6%	4%
Operating profit margin	30%	35%
Dividend as percentage of profits	10%	120%

Table 4 Human resource and organisational data for Tana plc

Item	2014	2017
Labour turnover	4%	12%
Proportion of staff on profit-sharing schemes	100%	60%

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