

- (d) With reference to *DE*, discuss the merits of small organizations compared to large organizations.

[10]

In general, advantages of large businesses include:

- an enhanced ability to survive
- economies of scale
- higher status
- market leader status
- increased market share.

In general, advantages of being small include:

- greater focus
- greater cachet
- greater motivation
- competitive advantage
- less competition.

In the case of *DE*, the above advantages would in general apply. However, the circumstances can be further nuanced based upon the stimulus. Traditionally, the company was small and had a focus on quality, arguably its unique selling point. As the company grew, many insiders worried that *DE* would lose its focus on quality. Now, if it is to have cachet, it will have to rebrand itself and base its USP more on the security that its product offers.

Although the company probably also experienced a number of economies of scale, it was also experiencing some diseconomies, which invariably reflect that some inefficiencies from growth have crept into the business. With growth, *DE* has probably expanded its workforce. An increase in employees could change the character of the organization. Communication would be more difficult, both in the literal sense (having to communicate to a larger number of people) and in the figurative sense (new employees do not know the “unwritten” rules and norms of an organization, so greater care has to be taken in all communications).

An increase in size brings both advantages and disadvantages. In general, the larger the organization, the more it can benefit financially from size – more product lines and products and, with a diversity of revenue streams, an enhanced ability to survive. However, in *DE*’s case, it still has only one product. If the company grows and it increases its fixed costs, it takes some risks. If one of its competitors develops an ability to provide comparable security to the product of *DE*, *DE*’s sales could fall – but it may now be committed to higher fixed costs.

Candidates are expected to provide conclusions and judgment.

Accept any other relevant answer.

Marks should be allocated according to the markbands on page 3 with further guidance below.

A balanced response is one that provides at least two arguments for and two arguments against the option.

For one relevant issue that is one-sided, award up to [3]. For more than one relevant issue that is one-sided, award up to a maximum of [4].

*Award a maximum of **[6]** if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.*

*Candidates cannot reach the **[7–8]** markband if they give judgment/conclusions that are not based on analysis/explanation already given in their answer.*

Maximum Mark award	Small organization	Large organization	Judgments/conclusion
3	One or the other in an unbalanced way		N/A
4	Unbalanced	Unbalanced	N/A
5	One balanced and one unbalanced		N/A
6	Both balanced		No judgments/conclusions OR judgements are simple and unsupported
7–8	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response
9–10	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response