



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma in Business
Standard Level

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01, 5169/01

Core Module

May 2009

2 hours plus 15 minutes reading time

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Attempt **all** tasks.

Start each task on a new piece of paper.

Please leave a margin on the right and left hand side of each new page.

At the end of the examination, fasten all your work securely together, in the correct order.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **4** printed pages.



You must read the case study below and attempt ALL the tasks which follow.

(The case study is fictitious.)

THE CLIMATE FRIENDLY TRAVEL COMPANY Ltd [trading as Pedal-Power]

In order to take advantage of the growth in tourism in the Philippines, Mario Cruz and two friends set up The Climate Friendly Travel Company Ltd in May 2000. The business, which trades as 'Pedal-Power', is a private company with its head office in Manila. Mario said they chose a private company because it gives them some advantages over being a public limited company.

The company encourages foreign tourists to explore the main islands of the Philippines by bicycle. Mario said that 'Tourists rely too much on taxis, cars and buses which pollute the air. They need to adopt a slower pace on their holidays and the bicycle is environmentally friendly and an ideal means of visiting our country.'

Obviously Pedal-Power is in business to make a profit, but Mario claims its other objectives are to help raise the standard of living in the country, to create employment, and to contribute to the development of the economy. The company does not accept credit payments; its terms are strictly cash only. The three founders are all executive directors of Pedal-Power and they have recently strengthened the Board by appointing four non-executive directors.

Although it appoints managers and supervisors, Pedal-Power does not have a hierarchical structure. Employees at all levels are expected to be multi-skilled and work in one or more teams. The organisational structure of the company is in the form of a matrix. The company's hire and repair shops are located throughout the 1600 km length of the Philippines and it believes that a matrix structure enables accountability, a wider span of control, and a shorter chain of command.

The company is considered to be a good employer but Mario has expectations of the employees. He suggests they should be effective and efficient in their work, have the ability not only to work with others but also on their own initiative, and be committed to the company. There is a core of permanent employees but some are appointed on fixed-term contracts. During the main tourist season it is also necessary to employ casual staff. Flexitime is not convenient to the company but job sharing is encouraged. The company has no problem in recruiting labour.

Whilst tourism is good for the country as a whole, environmental pressure groups fear that an increase in tourists will destroy or pollute areas of natural beauty. The pressure groups want the assurance that the countryside will not be ruined by Pedal-Power's cyclists.

Mario knows that every business is influenced in some way by external or PEST factors. He suggests his company is influenced by pressure groups, government policies on tourism, and the law regarding the employment of staff. Mario says there are two main factors affecting the location of Pedal-Power's shops: access to the target market, and Government incentives to the tourism sector.

Mario says that Pedal-Power is successful for three specific reasons. Firstly, the company is trading in a chosen market; secondly, the marketing mix is right; and thirdly, there is a good customer relations policy.

The company actively promotes its product through travel agents, hotels, and advertising. It is recognised that very few foreign tourists will return but the company feels they should be treated appropriately e.g. refund policy, replacement bicycles, roadside repair, client and/or bicycle collection service.

You must attempt ALL of the following tasks. Where appropriate use information from the case study to support your answer.

- 1 (a) Identify **two** benefits to Pedal-Power of being a private company rather than a public limited company. [2 x 2 = 4]
- (b) Explain Pedal-Power's business objectives to:
- (i) raise the standard of living; [4]
- (ii) create employment; [4]
- (iii) contribute to the development of the economy. [4]
- (c) The company does not accept credit payments and only accepts cash. Explain the difference between cash and credit payments. [4]
- [Total: 20]**
- 2 (a) The organisational structure of the company is in the form of a matrix. Explain what is meant by a matrix structure and give **one** benefit of it to Pedal-Power. [4]
- (b) With reference to the structure of Pedal-Power, define the following terms:
- (i) short chain of command; [4]
- (ii) a wider span of control; [4]
- (iii) accountability. [4]
- (c) The company has appointed four non-executive directors to the Board.
- (i) Explain what a non-executive director is. [2]
- (ii) Explain **one** advantage of appointing non-executive directors to the Board. [2]
- [Total: 20]**
- 3 (a) Flexitime does not fit in with the company's daily routine but it does allow job sharing.
- (i) Explain what job sharing is. [2]
- (ii) Identify **one** benefit of job sharing to the company, Pedal-Power. [2]
- (b) In addition to permanent staff, the company employs people both on a casual basis and on fixed-term contracts.
- (i) Describe what is meant by a casual employee. [2]
- (ii) Explain what is meant by a fixed-term contract. [2]

- (c) Explain the following **three** expectations that Pedal-Power has of its employees:
- (i) effective and efficient work; [4]
 - (ii) commitment to the business; [4]
 - (iii) the ability to work with others and also on their own initiative. [4]
- [Total: 20]**

- 4 (a) Every business is influenced in some way by external or PEST factors. Explain how Pedal-Power might be influenced by:
- (i) environmental pressure groups; [4]
 - (ii) government policies on tourism; [4]
 - (iii) the law regarding the employment of staff. [4]
- (b) A factor affecting the location of Pedal-Power's hire and repair shops is access to the target market. Explain what is meant by access to the target market. [4]
- (c) Explain **two** examples of practical help or incentives that the Philippine Government could offer the tourism sector. [2 x 2 = 4]
- [Total: 20]**

- 5 (a) Mario says the company has got the right balance in its marketing mix. Explain the following three elements of the marketing mix:
- (i) product; [4]
 - (ii) promotion; [4]
 - (iii) place. [4]
- (b) Mario talks about the company's good customer relations policy. Identify **two** elements of Pedal-Power's customer relations policy. [2 x 2 = 4]
- (c) Explain what Mario meant when he said that Pedal-Power was trading in a 'chosen market'. [4]
- [Total: 20]**