



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

BUSINESS ORGANISATION AND ENVIRONMENT

5171/01

Core Module

October 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 **5** printed pages and **3** blank pages.



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

(The case study is fictitious.)

THE JEWEL OF INDIA PARTNERSHIP

Despite the title, this company is a private company. The term 'Partnership' refers to the fact that the business is owned and run for the benefit of its employees rather than for shareholders. The business began when Sunil Mothwani opened a department store in Mumbai in the 1890s. As the company grew, it bought out stores and founded others. Now, in 2009, there are 50 department stores and 350 supermarkets spread throughout India. The turnover is \$9 billion¹.

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The Chairman and Chief Executive Officer, Mr Ghopal, says that although the company is a private company, it has elements both of a partnership and a cooperative society. The company has only four shareholders who hold their shares in trust on behalf of the employees: the Chairman/CEO holds 40% and the three executive directors each hold 20%.

The Jewel of India Partnership has many business objectives but the two most important are sustained growth and helping to provide employment and better living standards for the community. The business will not be profitable unless expenditure is controlled effectively. The management is constantly concerned about costs and Mr Ghopal is always monitoring overheads. He is concerned about the break-even situation.

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Directors of joint stock companies, private or public, have certain powers and statutory duties. They have, for example, the power to sell assets and sue in the Partnership's name. A director has the statutory duty of trust and is also required to act as an agent of the Partnership. The Partnership has a hierarchical structure which Mr Ghopal says is unavoidable in a very large company but it helps to identify the chain of command and span of control.

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Alongside the hierarchy is a democratic structure for employees. Each store has its own employees' committee which is answerable to a regional committee and that, in turn, answers to the Partnership Parliament. The employees' representatives are entitled to question company policy, suggest ideas and improvements, and call management to account for their actions. If the Partnership's results are poor then the employees, through the Partnership Parliament, can call for the dismissal of the CEO. This example of employee participation is a very strong motivator and ensures a good flow of internal communications.

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The employees are called Partners and share in the profits of the business because it is their effort which determines whether the business will be a success or a failure. The company treats Partners with respect, honesty, and dignity, and their happiness is all important. The Partners also expect appropriate training and to have safe conditions of work. The Partners have an obligation to work for the improvement of the business because they share the rewards of success. The Partners are required to be honest and courteous.

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Since the business is run for the benefit of the Partners, they are clearly the most important stakeholders but, as Mr Ghopal likes to remind them, so are the customers. Without customers there is no business and no profit-sharing. Last year all partners, from the CEO down to the lowest rank, received a profit-sharing bonus of 16% of salary.

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The business employs more than 60,000 people under different contracts and arrangements. There are, for example, contracts for casual, full-time temporary or permanent staff, and part-time staff. Flexitime for certain categories of staff and job-sharing are also available.

¹ Quoted in US dollars

The directors believe that success depends on exercising the highest level of good commercial behaviour within the community. That means having respect for the environment and responsible sourcing of products. These days, customers are interested in how business takes note of environmental considerations. 40

Mr Ghopal is pleased with the company's progress but points out that every business is influenced by external or PEST factors. He identifies three that concern him most: disposable income, business confidence and issues of a social, ethical and environmental nature. In addition, the market is affected by the state of the economy and by competition. 45

The Partnership's supermarkets use literally millions of plastic bags each year. They are called 'throwaways' simply because after unpacking their shopping the customers discard them. The bags give off methane which is 27 times more harmful than CO₂. To combat the pollution caused by the plastic bags, the company now gives away durable recycled degradable bags which last for about 30 shopping expeditions. 50

The Jewel of India's 400 stores have not been located in a random fashion. The key to retail success is the suitability of any site and its occupancy costs. Mr Ghopal says that appropriate marketing objectives have to be identified. They include the achievement and maintenance of a targeted market share and the establishment of the image of the company and its products. 55

The Partnership prides itself on its customer service policy. It is important to treat customers well as they are, along with the employees, a main resource of the business. Customers are offered a range of services which the Partnership is always seeking to improve.

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

- 1 (a)** The Jewel of India Partnership is a private company with elements of other types.
- (i) Explain what Mr Ghopal means when he says that although the company is a private company it has elements of a partnership and a cooperative society. **[4]**
- (ii) Explain **two** features of a private company. **[2 x 2 =4]**
- (b)** Explain and justify the following **two** business objectives of the Jewel of India Partnership:
- (i) helping to provide employment and better living standards for the community at large; **[4]**
- (ii) sustained growth. **[4]**
- (c)** Describe what is meant by break-even analysis. **[4]**
- [Total: 20]**
- 2 (a)** The Directors of the Partnership have certain duties and powers. Explain what is meant by the duty to act as an agent of the company. **[4]**
- (b)** The Jewel of India Partnership has a hierarchical business structure and a democratic structure for employee participation.
- (i) Explain what is meant by a hierarchical structure. **[4]**
- (ii) Describe what is meant by the span of control. **[4]**
- (iii) Explain how the structure of employee participation contributes to motivation and the flow of internal communications. **[4]**
- (c)** The Partnership has some important stakeholders. Explain why the following stakeholders can be considered the most important:
- (i) employees; **[2]**
- (ii) customers. **[2]**
- [Total: 20]**

- 3 (a) Explain why the employees have an obligation to work for the improvement of the business. [4]
- (b) The Partnership has several employment arrangements. Define what is meant by:
- (i) temporary full-time; [2]
- (ii) flexitime. [2]
- (c) Describe the **three** following expectations that the employees might reasonably have of their employers:
- (i) to be treated with respect; [4]
- (ii) to have training and retraining opportunities; [4]
- (iii) to have suitable and safe conditions of work. [4]
- [Total: 20]
- 4 (a) Every business is influenced in some way by external or PEST factors. Explain how the Partnership might be influenced by:
- (i) social, ethical and environmental issues; [4]
- (ii) business confidence; [4]
- (iii) disposable income. [4]
- (b) Describe the following **two** factors which are likely to influence the location of the Partnership's stores:
- (i) suitability of sites; [4]
- (ii) occupancy costs. [4]
- [Total: 20]
- 5 (a) Explain the following **two** marketing objectives of the company:
- (i) to achieve and maintain a targeted market share; [4]
- (ii) to establish the image of the company and its products. [4]
- (b) Mr Ghopal says that the Partnership's market is dictated by **two** specific factors. Explain the possible effect on the Partnership of **each** of the following factors:
- (i) the state of the economy; [4]
- (ii) competition. [4]
- (c) The Partnership is keen to promote customer service in order to develop loyalty and further business. Explain the importance of a customer service policy to the Partnership. [4]
- [Total: 20]

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