

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

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01

Core Module

May 2004

2 hours 15 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

The time allocated for this examination includes 15 minutes reading time.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for any diagrams, graphs, music 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 that follow.

[The following case study is fictitious]

ADVENTURE UNLIMITED

When Jiang Shui-wing retired from his country's army four years ago, he decided to put his knowledge and experience of survival to good use. He realised that there were a lot of people prepared to pay for 'an adventure of a lifetime' activity in which they faced hostile and harsh conditions like trekking across a desert. He needed an isolated location in which to set up his business and so he built a training camp in the jungle of New Guinea. The start-up capital came from his savings and the lump sum payment he received on leaving the Army. 5

His first 'adventures' were aimed at members of sports clubs and consisted of five day survival and team-building activities. They proved to be enormously successful and he was in profit within two years. The turning point for Jiang came when he began to offer even more demanding activities, particularly to the corporate market. Wherever in the world there are extreme environmental conditions, Adventure Unlimited will take people there on survival exercises. 10

The business has grown quickly in a short time and has an excellent reputation. There appears to be no limit to the number of clients willing to pay upwards of \$3000¹ for an adventure, but this is also of concern to Jiang. He has been operating as a sole trader, but it has become necessary to inject a lot more capital to ensure both the expansion and survival of the business. 15

He has been approached by two former Army colleagues who want to join the business. They have both the additional capital and all the appropriate experience and skills. Jiang is happy to work with them but he is concerned about organisation and structure. Ideally he would like to retain total control but sharing with two other stakeholders means becoming a partnership or a private company. He is willing to consider a partnership so long as there is a Partnership Agreement, but his colleagues prefer a private company. 20

The business now employs more than 60 people. Other than for equipment and catering, Jiang is not keen on specific departments. He feels that everyone has a role to play in multi-skilled teams and should be answerable to a team leader who is, in turn, directly accountable to him. Jiang believes in a short chain of command. The two prospective 'partners' feel that the business should be restructured into clearly defined departments with a well-constructed organisation chart. 25

Employment conditions are acceptable. Employees are given basic accommodation, a uniform, and food. There are no fixed or agreed pay scales as each employee is expected to negotiate an individual employment package and then sign an agreement not to discuss the details with other employees. Good work and loyalty are rewarded in various ways. Employees are encouraged to use their initiative and get on with their tasks. Occasionally there are complaints about the 'military style' working conditions but Jiang makes it clear that his staff should not expect to live and work in luxury whilst the clients are often suffering harsh survival conditions. 30

All businesses need to be aware of those external influences that affect the business climate. One problem Jiang has is the cost and limited availability of licences to carry out certain projects as adventure tourism is harming the wilderness regions. For example, there are many people climbing mountains and leaving their rubbish behind. Companies like Adventure Unlimited have been growing in popularity but they are also the targets of protest groups concerned about the world's ecology. Jiang thinks Adventure Unlimited is affected by both the influences of environmental issues and the business or trade cycle. 35 40

¹ Expressed in US dollars

Jiang believes his market is global. He advertises in management and specialist journals and his package-activities can be found in travel agents' brochures. His business has been promoted by the recommendations of satisfied clients, and featured in television programmes and magazine articles. Jiang believes the marketing mix is right.

Since the activities contain elements of danger, even life threatening conditions, there is the question whether or not Adventure Unlimited should have a code of conduct or customer relations policy. One family of a client is suing over the death of their son who fell down a glacier. The company says that he signed to say he would accept all the risks. However, every effort is made to ensure the safety of clients but any carelessness on the part of clients is their liability. 45

You must attempt ALL of the following tasks.

- 1 (a) If Jiang does not accept the investment offered by his former colleagues, explain **two** ways in which he could raise the required capital. [5]
- (b) Jiang will consider a partnership so long as there is a Partnership Agreement. Explain the purpose of a Partnership Agreement. [5]
- (c) Jiang is currently a sole trader and has unlimited liability. Explain what unlimited liability means and how it could affect Jiang. [5]
- (d) Jiang's two prospective partners would prefer a private company. Identify **two** advantages of Adventure Unlimited becoming a private company. [5]
- [Total: 20]**
- 2 (a) Explain the meaning of the term 'stakeholder' and list **two** examples. [5]
- (b) Jiang prefers a short chain of command. Explain what this means in the context of Adventure Unlimited. [5]
- (c) Jiang's prospective business partners would like an organisation chart. Describe the following **two** functions or purposes of an organisation chart:
- (i) accountability [5]
- (ii) span of control [5]
- [Total: 20]**
- 3 (a) Each employee negotiates an individual employment package. Explain why Jiang insists that an employee must not discuss his/her employment arrangements with colleagues. [5]
- (b) 'Good work and loyalty are rewarded in various ways.' Explain **two** ways in which good work and loyalty might be rewarded in Adventure Unlimited. [5]
- (c) Describe **three** expectations that the staff might reasonably have of their employer. [10]
- [Total: 20]**
- 4 (a) Discuss why Jiang located Adventure Unlimited in the jungle. [5]
- (b) Explain the importance of the profit motive. [5]
- (c) All businesses are affected by those external factors which influence the business climate. Describe how Adventure Unlimited is affected by:
- (i) environmental and ecological issues [5]
- (ii) the business or trade cycle [5]
- [Total: 20]**

- 5 (a) Jiang believes his market is global. Explain the difference between a global and an international market. [5]
- (b) Adventure Unlimited has neither a code of conduct nor a customer relations policy. In view of the death of a client, explain why the company should have one. [5]
- (c) Explain what Jiang means when he says the marketing mix is right. [10]
- [Total: 20]

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