

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

BUSINESS ORGANISATION AND ENVIRONMENT

5171/01

Core Module

May 2005

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.
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 that follow.

[The following case study is fictitious]

Make A Difference [Training Services] Ltd

Jan de Witt spent twenty years working for a nationally known retail company as the Complaints Manager in the Customer Services Department. Most customer complaints were about staff incompetence and the lack of courtesy. Jan was concerned that his employer's firm was willing to invest in training for computerisation but not for customer services.

Five years ago, Jan de Witt was made redundant and given a generous financial settlement. He saw this as an opportunity to put his training ideas into practice. With three other people he formed a private company called **Make A Difference [Training Services] Ltd** to offer training courses aimed primarily at sales staff. 5

Jan believes that dedication to customer service will have an impact on how a business is perceived as well as how customers are treated. The mission statement of Jan's company reflects his aims and philosophy. 10

'**Make a Difference**' has an authorised capital of \$80 000¹ and an issued capital of \$60 000. Jan holds 40% of the shares and each of his three colleagues owns 20%. Jan de Witt is the Chairman and Managing Director, Ngconde Coetzee is the Company Secretary, and the other two investors, Geobani Willemse and Christo Sephaka, are Executive Directors. 15

The company's head office is located in Pretoria with a network of training centres throughout mid and southern Africa. The business is growing fast and turnover has exceeded all the forecasts. The company has a good international reputation and the Directors are considering opening a training college in the UK to serve the European market. The estimated cost of such an investment is more than \$1 million and they need to consider how they will raise the required capital. 20

The company is organised within a matrix structure and Jan believes this encourages employee participation, commitment and a flow of new ideas. Jan says he is employee focused. He also claims his management style is influenced by Herzberg's ideas on job enrichment and MacGregor's Theory Y. He believes in business ethics and that his company has clear obligations to its stakeholders. 25

Despite being labour intensive with the employment of trainers and advisers, the company relies very much upon the use of computers. They are regarded as efficient and essential tools. All employees are computer literate and equipped with laptops for use away from the office or training room.

The administrative staff are employed on permanent or temporary contracts whilst most of the trainers and consultants prefer self-employment. '**Make a Difference**' is a caring company which offers an excellent package of benefits and opportunities to all its staff but, clearly, the Directors have certain expectations of their employees regardless of their contractual terms. 30

Any enterprise is subject to the various PEST or external factors influencing its business operations. Since '**Make a Difference**' works in several countries, Jan knows that it is subject to a number of differing government policies as well as the general trade cycle. The company is particularly concerned about *business confidence* and *workforce skills and flexibility*. 35

¹ All amounts are quoted in US dollars

The company's training colleges are well equipped, comfortable and offer residential accommodation. They tend to be located in country areas although some can be found in city centres. The Directors feel that the proposed UK college, designed to serve all of Europe, should be opened in London because the city will offer many location benefits. 40

There are a number of companies involved in staff education and training but very few, like **'Make a Difference'**, specialise in customer services. Jan believes that the success of the company depends upon four particular elements:

- its skills and professionalism;
- it serves a niche market;
- it uses price discrimination;
- it is devoted to maintaining a high quality of customer service.

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You must attempt ALL of the following tasks.

- 1 (a) The company needs more than \$1million to expand into Europe. With the exception of share capital, describe **two** ways in which the company can raise the additional capital. [4]
- (b) The company has a mission statement which reflects Jan's views. In not more than two sentences, write an appropriate mission statement for the company. [4]
- (c) The four Directors decided to form a private company. Identify and describe **three** features or advantages of the private company. [12]
- [Total: 20]**
- 2 (a) The company operates within a matrix structure. Describe **two** features of a matrix. [4]
- (b) Jan says he has obligations towards his stakeholders. Identify and define **two** stakeholders of '**Make a Difference**'. [4]
- (c) Jan de Witt believes his leadership and management style is influenced by Herzberg's theory of job enrichment and MacGregor's Theory Y. Describe the main features of **BOTH** of these motivational theories. [12]
- [Total: 20]**
- 3 (a) The company increasingly relies upon the use of computer technology. Describe **two** ways in which computer technology is likely to be used in the company. [4]
- (b) Although the administration staff are on permanent or temporary contracts, most of the trainers are self-employed. Explain the **difference** between permanent employment and self-employment. [4]
- (c) Identify and explain **three** expectations that the company might reasonably have of the **employees**. [12]
- [Total: 20]**
- 4 (a) The company is aware of the influences of the business environment on its operations. Discuss the likely impact on '**Make a Difference**' of the following **two** factors:
- (i) business confidence [4]
- (ii) workforce skills and flexibility. [4]
- (b) The training colleges are mostly located in country areas although some are in city centres. Identify and explain **three** factors which may determine the location of the company's training colleges. [12]
- [Total: 20]**
- 5 (a) Since it operates in several countries, the company uses price discrimination as its method of pricing. Explain what is meant by price discrimination and what advantage it offers '**Make a Difference**'. [4]
- (b) There are only a few companies specialising in training for customer services and so '**Make a Difference**' enjoys a niche market. Explain what is meant by a niche market. [4]
- (c) Identify and describe **three** features of the company's customer service. [12]
- [Total: 20]**