



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

BUSINESS ORGANISATION AND ENVIRONMENT

5171/01, 5179/01

Core Module

May 2008

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 and attempt ALL the tasks which follow.

(The following case study is fictitious.)

EASYPACK

EasyPack is the trading name of The Easy Packing, Assembly & Storage Company Ltd. It was founded just 10 years ago by a group of five skilled engineering employees who had been made redundant.

At the time the market in flat-packed furniture (furniture that comes in kit form and which the customer assembles) was growing rapidly. However, many people found it difficult to use even basic tools, to handle heavy parts, or to read and understand the instructions and diagrams. The engineers realised that they could easily assemble even complex kits in a quarter of the time it took most people because they were used to handling tools and reading engineering drawings. They hired themselves out to people who were willing to pay them to assemble furniture quickly, efficiently and without damage. 5 10

With so many people moving homes and jobs, not just within the country but to and from overseas, they realised that there was a niche market waiting for them. Once established, EasyPack expanded its operation to offer storage facilities and a packing (and unpacking) service for private individuals and companies moving equipment, furniture and personal effects.

Faroukh Al-Mansour, the Managing Director (MD), recently remarked that in the beginning the founders barely made a living wage and now the company enjoys an annual turnover in excess of \$10 million¹. He said that, apart from profit, the company's main objectives were sustained growth, market penetration, and on-going improvement in the nature and quality of its service. He indicated that as the company was continually growing it was desirable to update the business plan every year. 15 20

Despite a good cash-flow, the business always needs finance and EasyPack still has to rely on a bank overdraft to meet day-to-day expenses. For investment and development plans, the main source of finance is retained profit.

The company's stakeholders are all considered important but according to the MD the most significant are the customers and employees. 25

The Board are considering certain changes to the way the company operates. At the moment all the Directors are executive directors but it has been decided to appoint two non-executive directors particularly since further expansion is likely. The second change being considered is to the structure of the company. At the moment it is hierarchical and the Directors think that a flat structure would further improve efficiency and motivation. 30

Another change affects the full-time employees. The company employs a lot of women, many with young families, and so the Human Resources Director has proposed the introduction of job-sharing. The company offers its employees benefits and incentives which encourage loyalty and good performance. It is widely accepted among the employees that EasyPack is a good company to work for. The employees also have some reasonable expectations of their employer: opportunities for advancement, fair pay, and training. 35

Every business organisation is affected in some way by PEST or external factors. The MD believes there are three specific factors which may influence the company: inflation, serious competition, and Government policies towards business.

¹ Expressed in US dollars

The company's main premises comprise of offices, a garage and workshop, and a large storage facility. There are also two other storage centres in the country. The MD says that whilst location is important it is not necessary to have premises in expensive districts. The company's locations are entirely influenced by infrastructure and site and occupancy costs.

In order to survive in its niche market, the company believes a customer services policy to be very important. It offers customers a guaranteed quality of work; remedial action at no cost where the fault lies with the company; repairs to or replacement of damaged items; 24 hour help-line for customers; and quotations not estimates.

The influences on EasyPack's marketing are seen to be the size of their market, their pricing strategy, and the availability of substitute services. The company has fixed prices for standard services but negotiates prices with larger clients and those with special requirements. The MD thinks that one reason for the company's success is having the right marketing mix.

You must attempt ALL of the following tasks.

- 1 (a) Explain the following business objectives of EasyPack:
- (i) sustained growth [4]
 - (ii) market penetration [4]
 - (iii) continual improvement in the nature and quality of its service [4]
- (b) All companies need financing and EasyPack relies on retained profits and overdrafts.
- (i) Describe what is meant by retained profit. [2]
 - (ii) Describe what is meant by an overdraft. [2]
- (c) (i) Explain what is meant by a business plan. [2]
- (ii) Explain **one** benefit to EasyPack of revising their business plan annually. [2]
- [Total: 20]**
- 2 (a) The Managing Director claims that all the company's stakeholders are important. Suggest why the Managing Director considers the following stakeholders to be the most significant:
- (i) customers [4]
 - (ii) the employees [4]
- (b) The structure of the company is currently hierarchical and the Directors are in favour of a flat structure.
- (i) Describe what is meant by a hierarchical structure. [4]
 - (ii) Explain why a flat structure might be more appropriate. [4]
- (c) The Board expect to appoint two non-executive directors.
- (i) Explain what a non-executive director is. [2]
 - (ii) Suggest **one** benefit to EasyPack of appointing non-executive directors. [2]
- [Total: 20]**

- 3 (a) Discuss the following expectations that Easypack's employees might reasonably have of their employers:
- (i) opportunities for advancement [4]
 - (ii) fair wages and salaries [4]
 - (iii) suitable training and retraining opportunities [4]
- (b) EasyPack offers its employees a number of incentives. Outline **two** incentives which the company might offer its employees. [2 x 2 = 4]
- (c) The company has recently introduced job-sharing.
- (i) Explain what job-sharing is. [2]
 - (ii) Identify **one** benefit to the company of job-sharing. [2]
- [Total: 20]**
- 4 (a) Every company is affected by external or PEST factors that influence its business activity. Explain how EasyPack might be influenced by:
- (i) competition [4]
 - (ii) inflation [4]
 - (iii) government policies towards business [4]
- (b) Explain why the following factors influenced EasyPack's choice of location:
- (i) infrastructure [4]
 - (ii) site and occupancy costs [4]
- [Total: 20]**
- 5 (a) Explain the importance to EasyPack of a customer service policy. [4]
- (b) Explain each of the following influences on Easypack's marketing policy:
- (i) pricing [4]
 - (ii) the size of their market [4]
 - (iii) availability of substitute services [4]
- (c) Explain what the Managing Director means when he says the Company has the right marketing mix. [4]
- [Total: 20]**

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