

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

BUSINESS ORGANISATION AND ENVIRONMENT

5171/01

Core Module

October 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 **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]

Unique Experience Plc.

Unique Experience Plc is a travel company which organises specialist activities for clients e.g. ballooning in the Alps, and trekking in Siberia. Each activity is marketed as ‘the unique experience of a lifetime’. The company has a successful niche market and, as long as there are enough wealthy people looking for adventure, it is likely to have a busy and profitable future.

When Unique Experience Plc began, it was a private company which owned a number of campsites and adventure centres throughout Europe and Africa. It was a well-managed company which grew steadily and later became a public limited company. Four years ago it was taken over by a Tokyo based holding company called Shogun Investments. The first task Shogun Investments gave Unique Experience Plc was to reconsider its business objectives. 5

Shogun Investments also controls hotel chains, airlines, gun clubs and shooting grounds, and a leading shotgun and rifle manufacturer. Since the take-over, Unique Experience Plc still provides its specialist activities but now 80% of its turnover comes from hunting. The hunting trips are not advertised in brochures but are sold through gun clubs and via the internet. 10

The hunting takes place in North America, Russia, and Africa. The cost of a hunting trip including all travel, luxury campsites, and experienced guides is \$40 000¹. For an additional fee, the company will make certain that a hunter kills a large and wild animal. An elephant costs \$10 000, a leopard \$6 000, and a polar bear \$20 000. 15

Animal Rights groups say that some of the species have been hunted close to extinction. The numbers of the African lion, for example, have fallen from 230 000 in 1980 to only 20 000 today. Unique Experience Plc argues that it only carries out licensed hunts and has the approval of ‘international authorities’. Also, the trips put a lot of money into the areas where the hunting activities take place. Many people are pleased to have the work and the income. 20

The company is located in Singapore. Other than running a discreet office in New York and another in Paris, it does not maintain offices anywhere else but prefers to work through local agents. It believes this method has many advantages. 25

The company is well aware that any enterprise is subject to various PEST or external factors influencing its business operations. Since its clients are drawn from all over the world and its activities and hunting trips take place in many countries, Unique Experience Plc is always concerned about the effect of fluctuating exchange rates.

Its main concern, however, is public opinion since it recognises that hunting big game is not popular with a lot of people. A number of pressure and animal rights groups are always campaigning against hunting. Another issue raised by public opinion is the negative externalities caused by all of the company’s adventures, not just hunting. 30

The company directly employs about 120 people on permanent contracts in Singapore but most other staff tend to be casual employees appointed by the local agents. Each unique experience or activity is developed by a project team in Singapore and a member of the team is sent to manage the project in the field. The Managing Director says that an important element in managing people is to encourage teamworking. 35

¹ The amount is expressed in US dollars.

The Board is not happy with the structure of the company and is currently reviewing the factors that determine the structure of business organisations. Under the influence of Shogun Investments, the company's leadership style has changed from being democratic to paternalistic. However, the company is regarded as a good employer but the employees still have certain expectations of their employer. 40

The marketing policy is to appeal to the 'discriminating hunter'. The clients are usually very wealthy and run major business corporations. They pay for a high standard of service and are used to getting what they want. The company is well aware that it has to satisfy demanding clients who are paying upwards of \$40 000 and so it recognises that close attention must be paid to the policy of customer service. The company uses cost-plus as its pricing method. 45

You must attempt ALL of the following tasks.

- 1 (a) Unique Experience Plc is owned by a holding company called Shogun Investments. Identify and describe **two** features of a holding company. [4]
- (b) Although the company was set up as a private company, it later became a public limited company. Explain **two** reasons for Unique Experience Plc becoming a public limited company. [4]
- (c) Identify and discuss **three** business objectives of Unique Experience Plc. [12]
[Total: 20]
- 2 (a) Each 'unique experience' project is managed by a team. Explain what teamworking means and identify **one** benefit it provides for the **employees**. [4]
- (b) The management style of Unique Experience Plc is regarded as paternalistic. Explain what paternalistic style means and identify **one** advantage it offers the company. [4]
- (c) The Board of Unique Experience Plc is reviewing the structure of the company. Identify and explain **three** factors which determine the structure of a business organisation. [12]
[Total: 20]
- 3 (a) Describe the working environment on the hunting trips, and list **two** skills in which staff should be trained. [4]
- (b) Each hunting trip employs local staff who work hard and for long hours, and they receive the average pay rate for the region. Identify **two** incentives that the staff could be offered to ensure the hunting experience is successful. [4]
- (c) Identify and discuss **three** expectations the permanent staff might reasonably have of their **employer**. [12]
[Total: 20]
- 4 (a) Unique Experience Plc is aware of the influences of the environment on business organisations. Explain how the company might be affected by the following factors:
- (i) pressure groups and public opinion [5]
- (ii) fluctuating exchange rates. [5]
- (b) Some public opinion has suggested that the various activities of Unique Experience Plc cause negative externalities.
- (i) Explain what is meant by the term externalities. [5]
- (ii) Describe the kind of negative externalities in this case study that would concern the public. [5]
[Total: 20]

- 5 (a) The company uses local agents to help arrange the unique experiences. Identify **two** benefits to the company of using local agents. [4]
- (b) The company says its pricing method is cost-plus. Explain what is meant by cost-plus pricing and identify **one** benefit to the company of this method of pricing. [4]
- (c) Unique Experience Plc deals with wealthy clients who expect quality service. They are likely to complain if standards fall below their expectations. Discuss how the company should ensure a high level of customer service. [12]
- [Total: 20]

BLANK PAGE

Every reasonable effort has been made to trace all copyright holders where the publishers (i.e. UCLES) are aware that third-party material has been reproduced. The publishers would be pleased to hear from anyone whose rights they have unwittingly infringed.

University of Cambridge International Examinations is part of the University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.