



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

BUSINESS ORGANISATION AND ENVIRONMENT

5179/01

Core Module

October 2012

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 **4** printed pages.



You must read the case study below and attempt ALL of the tasks which follow.
(This case study is fictitious.)

Hamed Oil Services plc (HOS)

Hamed Oil Services plc (HOS) was established in Abu Dhabi in 1972. It is now a multinational business involved in all aspects of the exploration and production of oil throughout the world. Its Head Office is still in Abu Dhabi and 30% of the shares are controlled by the Hamed family. The remaining shares are widely held and are listed on the London Stock Exchange as well as the Abu Dhabi Stock Exchange. 5

The Managing Director is Abdulla Hamed and he has six senior executives reporting to him. Below the most senior levels, the company uses, wherever possible, a matrix organisational structure. The business enters into contracts with many oil companies and supplies exploration and production skills. It also operates oil exploration platforms on behalf of most of the major oil companies. With the fluctuation in the price of oil in recent years, together with economic uncertainties, it has become increasingly difficult to forecast income in the medium to long term. The major oil companies increase exploration budgets when oil prices rise, and reduce them when prices drop. HOS has many years of ploughed-back profits and is only reliant on a small amount of long-term loans in the form of debentures. Its short term needs are usually satisfied by its working capital with the occasional use of bank overdrafts. 10 15

Mr. Hamed believes in delegating as much authority as possible and this policy is seen throughout the business, with a democratic leadership style being widely encouraged. Most managers support this policy, and the well motivated workforce is seen as a major asset of HOS. The organisation structure does not always help communication within the business. Widespread use of email has helped, but Mr. Hamed still considers that there is a lack of good two-way communication. 20

Senior and specialist employees are recruited internationally, and there are also many different nationalities employed in the Abu Dhabi Head Office. Most Head Office staff are permanent full-time employees, and so are the key specialist workers in the field. Other field workers are on fixed-term contracts. Mr. Hamed is very aware of the potential dangers of some of the operations and encourages a positive attitude to safety at work. With the ever changing advances in technology, training is vital to ensure that HOS keeps up-to-date, and provides the most modern systems for its customers. 25

The slowdown in the world economy following the 2008 economic crisis had affected HOS, with the major oil companies cutting down on exploration. The BP Gulf of Mexico disaster of 2010 had further slowed down activity as governments throughout the world looked for alternative sources of energy. HOS were, however, confident that there would continue to be a high demand for oil in the long term, although there would be an increased emphasis on safety and on the environmental impact of oil exploration and production. 30

HOS needs to market its services globally. It has a small but active marketing department that maintains close relations with the major oil companies, and also seeks out the smaller oil companies that gain drilling concessions from governments. HOS knows the importance of customer service and strives to deliver a good service at all times. 35

You must attempt ALL of the following tasks.

Where appropriate use information from the case study to support your answer.

- 1 (a) Describe the advantages and disadvantages of a plc (Public Limited Company) compared with a Ltd (Private Limited Company). [5]
- (b) Describe how HOS might respond to the increased emphasis on the environmental impact of its work. [5]
- (c) Describe the advantages and disadvantages to HOS of the following types of borrowing:
- (i) overdrafts [5]
- (ii) debentures (loans) [5]
- [Total: 20]**
- 2 (a) Explain why a matrix structure might be used in most parts of the organisational structure of HOS. [5]
- (b) Describe how HOS might use both formal and informal channels of communication in its business. [5]
- (c) Explain why delegation might be viewed as important by HOS. [5]
- (d) Explain how McGregor's Theory X and Theory Y might be viewed by **HOS management**. [5]
- [Total: 20]**
- 3 (a) Explain the advantages and disadvantages **to HOS** of having some employees on fixed-term contracts. [5]
- (b) Explain why encouraging a positive attitude to safety at work might:
- (i) motivate employees [5]
- (ii) become a positive asset for HOS [5]
- (c) Describe the advantages and disadvantages of working in HOS, where the technology is constantly changing. [5]
- [Total: 20]**

- 4 (a) Explain how the 'boom and bust', or rise and fall, periods of the business cycle will influence oil prices. [5]
- (b) Describe how the Abu Dhabi Government might encourage the growth of a successful business like HOS. [5]
- (c) If HOS decided to open a branch office to serve the North American oil exploration market, describe the principal factors that the company should consider when choosing its location. [5]
- (d) As Abu Dhabi is a major oil producer, explain why it is important that it also has businesses such as HOS which operate internationally in the oil service industry. [5]

[Total: 20]

- 5 (a) Describe the main ways in which HOS could deliver good customer service. [5]
- (b) Explain why customers of HOS might consider the level of service more important than a low price. [5]
- (c) Discuss the following statements:
- (i) Customers are the main resource of HOS. [5]
- (ii) The image of HOS is more important than its market share. [5]

[Total: 20]

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