



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

BUSINESS ORGANISATION AND ENVIRONMENT

5179/01

Core Module

October 2010

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

WHZZZ – The People’s Car

In 2008, the All-Asia Steel Corporation introduced a new small car to the Indian sub-continent. The advertising department called it *WHZZZ* because the name gives the impression of speed and that appeals especially to the expanding middle class and young people in particular. The main feature of what has been called ‘the people’s car’ is its retail price of just \$2600¹.

The car has already proved popular and production is currently behind demand. A selling point of the car is that it replaces motor scooters and bicycles so making travel safer for families. The All-Asia Steel Corporation believes it has a successful product but there has been a lot of criticism within the sub-continent. Its price means that many more people will be able to afford a car which, it is claimed, is not environmentally friendly and will create additional pollution. Pressure groups have been lobbying for better public transport and to stop the car’s production.

It is the case with any large organisation that it will have many business objectives apart from making a profit and providing employment. The Chairman, aware that markets can suddenly change, has identified two specific objectives for the car making division, namely economic survival and market penetration. While these objectives affect every activity of the business, they are of particular concern now that the Corporation has entered the small car market.

The All-Asia Steel Corporation is a quoted public limited company with an authorised capital of 1 billion ordinary shares. The production of *WHZZZ* required a large injection of new capital. The finance director originally considered issuing debentures before deciding that the money could be raised by selling 80 million unissued shares.

The All-Asia Steel Corporation is an enormous business which is organised into several production divisions, namely coal mining, steel, shipbuilding, car manufacture, and household appliances. Its organisational structure is hierarchical and centralised but within each division there are examples of flat structures and matrix management. In fact, the creative team which produced the *WHZZZ* operated as a matrix and involved a range of specialist skills like designers, engineers, test drivers, fuel technologists, and marketers. It is now recognised that the creation of more team-working within the Corporation will improve motivation and commitment. The Chairman believes the employees are major stakeholders.

The Corporation has a good record of looking after its employees. Pay tends to be about the industrial average but is strengthened by a generous annual bonus. In exchange for family medical care, training and incentives, the Corporation has expectations of its employees such as effective and efficient work, willingness to undertake any work reasonably asked of them, and commitment to the business and its objectives. The official view is that when the Corporation prospers, then so do the employees.

Being so huge, it is difficult to have a standard employment arrangement. Most employees are permanent and full-time although some employees are temporary, casual or part-time, and some specialists are on fixed-term contracts or even self-employed. Last year the Corporation introduced job-sharing for female employees.

¹ Quoted in US dollars

WHIZZZ is currently sold in India where demand is outstripping supply. The potential domestic market exceeds 300 million people. The Corporation hopes that it will win a large share of the European market as well. Apart from market penetration, the Corporation's marketing objectives for the car include the achievement and maintenance of a targeted market share, and a successful marketing mix. 40

The car is sold through retail outlets, i.e. car dealerships, which are private businesses but supported by the car production division in terms of advertising, workshop practice and sales training. It is important that the dealerships are committed to customer service as the image of the car and the reputation of the Corporation must be upheld. The main market influences are competition, the size of the market and the state of the economy. 45

You must attempt ALL of the following tasks.

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

- 1 (a) Explain the following business objectives of the All-Asia Steel Corporation:
- (i) economic survival; [5]
 - (ii) market penetration. [5]
- (b) Explain what is meant by a quoted public limited company with an authorised capital of 1 billion ordinary shares. [5]
- (c) The Corporation needed additional capital to fund the *WHZZZ* project. Explain why the Corporation raised that capital by selling unissued shares rather than issuing debentures. [5]
[Total: 20]
- 2 (a) Describe what is meant by a stakeholder and explain why the Chairman believes the employees are major stakeholders. [5]
- (b) The organisational structure of the All-Asia Steel Corporation is hierarchical. Describe what is meant by a hierarchical structure and explain why it might be suitable for the Corporation. [5]
- (c) Within the structure of the Corporation are examples of team-working and matrix management.
- (i) Explain how more team-working will improve motivation and commitment. [5]
 - (ii) Describe what is meant by matrix management. [5]
- [Total: 20]
- 3 (a) Discuss the following expectations that the All-Asia Steel Corporation might reasonably have of its employees:
- (i) willingness to undertake any work reasonably asked of them; [5]
 - (ii) commitment to the business and its objectives. [5]
- (b) Describe what is meant by job-sharing and explain why the Corporation offers it to female employees. [5]
- (c) Explain what is meant by the official view that 'when the Corporation prospers then so do the employees'. [5]
[Total: 20]

- 4 (a) Every business is affected by PEST or external factors that influence its activity. With reference to *WHZZZ*, explain how the All-Asia Steel Corporation might be influenced by:
- (i) consumer preference; [5]
 - (ii) social, ethical and environmental issues. [5]
- (b) The Corporation benefits the community at large but public opinion is concerned about the negative externalities caused by the production processes.
- (i) Explain what is meant by externalities. [5]
 - (ii) Describe the kind of negative externalities that are causing public concern. [5]
- [Total: 20]**
- 5 (a) With reference to *WHZZZ*, explain the following marketing objectives:
- (i) the achievement and maintenance of a targeted market share; [5]
 - (ii) a successful marketing mix. [5]
- (b) Explain how the state of the economy and competition influence the market for *WHZZZ*. [5]
- (c) Describe what is meant by customer service and explain why it is important that the car dealerships should be committed to it. [5]
- [Total: 20]**

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