

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

BUSINESS ORGANISATION AND ENVIRONMENT

5171/01

5179/01

Core Module

October 2006

**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 **3** printed pages and **1** blank page.



You must read the case study and attempt all the tasks that follow.

[The following case study is fictitious.]

LINGUISTS INTERNATIONAL plc (LIP)

Linguists International plc owns a language college in 40 countries. The colleges offer short intensive language courses mainly to the corporate market. The greater part of the company's turnover, however, is provided by the production and sale of audio and interactive audio-visual language learning programmes and materials.

The company is very successful. The Chief Executive Officer (CEO) said in last year's annual report that the role of any Government was to encourage the business or enterprise culture. The point was also made that the company was in business to make the best possible profit. 5

The CEO suggested that language learning was an essential activity to greater understanding in the world and that the company would do business with any country regardless of whether its economy was market, mixed or planned. 10

Each college is run by a Principal and a small senior management team. There is little opportunity to display much initiative as the company has a centralised structure. The CEO says this is necessary in order to control the company effectively, set and achieve targets, and monitor performance. There is a general view among staff that the CEO, who is also a significant shareholder, is a 'Theory X manager'. 15

The market for language courses is affected by the changing popularity of certain languages. This means that apart from a core staff who teach those languages for which there is always demand, other tutors tend to be self-employed and contracted as and when required. Most of the staff who are engaged to write, edit and produce the language course materials do so by teleworking as they do not live and work in Hong Kong, where the company has its head office. 20

Permanent and self-employed language staff are well paid and receive a supplement to their pay if they are specialists in minority languages e.g. Welsh. The CEO says that good pay is a sufficient incentive to make anyone work hard.

Every company is affected in some way by the factors that influence their business operation. For some it may be the trade cycle or interest rates but for 'LIP' it is competition and the impact of advertising. The company is aware that its services and products are not unique and there are many other providers in the market. There is also a lot of persuasive advertising and 'LIP' is obliged to spend a lot to maintain and improve its market position. 25

Despite its business success, the company has a narrow approach to customer service. Customers can buy the courses and materials from the website, the language colleges, newspaper and magazine advertisements, or from booksellers. Linguists International does not offer an unconditional guarantee on its products. It will not refund money nor does it have an appropriate complaints procedure. If a customer returns a faulty product such as a language book or CD, it will be replaced so long as the customer pays for the postage and packing. 30

Equally, the colleges won't refund course fees even if the clients feel that the teaching is sub-standard. The reason for this attitude, according to the CEO, is that there can be no guarantee that language learning will work as it depends upon individual ability. The company does not want to encourage clients to ask for fee refunds just because they fail to learn a language. 35

The company has a policy of price discrimination and each country is regarded as a distinct market. The American and European markets are charged the highest prices. The selling point for the audio and audio-visual language courses is that students can learn in the home, office or car and at whatever pace they consider suitable. The CEO believes the company's marketing mix is successful. 40

You must attempt ALL of the following tasks.

- 1 (a) (i) Explain and justify the Chief Executive Officer's claim that Linguists International plc is only in business to make the 'best possible profit'. [8]
- (ii) Describe what is meant by the 'business or enterprise culture'. [4]
- (b) LIP is a public limited company. Identify and describe **two** features and/or advantages of a public limited company. [2x4=8]
[Total: 20]
- 2 (a) Suggest and describe **three** reasons why the CEO has been described as a 'Theory X manager'. [3x4=12]
- (b) The company has a centralised structure. Identify and discuss **one** advantage and **one** disadvantage of a centralised structure. [8]
[Total: 20]
- 3 (a) Identify and explain **three** expectations the **employees** of Linguists International might reasonably have of their employers. [3x4=12]
- (b) (i) Some members of staff undertake teleworking. Explain what teleworking means and identify **one** benefit to an employee of teleworking. [4]
- (ii) The company has some self-employed staff. Explain what self-employment means and identify **one** benefit to the company of using self-employed staff. [4]
[Total: 20]
- 4 (a) Every company is affected by factors that influence its business activity. Explain how Linguists International Plc might be affected by:
- (i) competition; [4]
- (ii) the impact of advertising. [4]
- (b) The company will do business with any type of economy. Give a definition of **each** of the three types of economy – market, mixed and planned. [3x4=12]
[Total: 20]
- 5 (a) (i) Describe **two** features of the company's Customer Services Policy [4]
- (ii) Suggest **two** ways the company might improve its Customer Services Policy. [4]
- (b) The CEO believes the company's marketing mix is successful. With reference to the 4Ps, explain what the CEO means. [4x3=12]
[Total: 20]

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