

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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5171/01**

Core Module

May 2004

**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 on both sides of the paper.  
You may use a soft pencil for any diagrams, graphs, music 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.

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International Examinations

**[Turn over**

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

[The following case study is fictitious]

### **MUNEER'S MEMORABLE MENSWEAR [MMM]**

The company, Muneer's Memorable Menswear of Dubai, offers jackets, trousers and suits via mail order and made to the customer's own measurements. The business developed quite by chance. Muneer Radhwani ran a high-class tailoring shop and, as tourism to Dubai grew, he prospered by selling his made-to-measure clothing to well-off visitors.

Some of his UK customers wrote to him in Dubai enquiring about repeat orders. He went to London for two weeks, having booked a small meeting room in a hotel, and advertised his services in the business press. He obtained more than enough orders to keep his shop very busy. For the next two or three years he went to a major city every month but he worried about the business in his absence. He realised that he could increase his business by selling franchises across the world. He could then stop travelling and keep tighter control of business in Dubai. 5 10

Customers can now send their orders to a franchisee who checks and sends their measurements to Dubai via an electronic link. Muneer's factory processes the orders and will deliver a suit to New York, London, Delhi, or wherever, within 14 days. There is a customer guarantee on the quality of workmanship and cloth, and the delivery date, but Muneer accepts no liability in respect of measurements where they are supplied by the customer. Alterations and adjustments can be made for a small charge. 15

A free home measuring service has been introduced for all orders over \$2000.<sup>1</sup> For orders under that figure, the franchisee will send a tailor to undertake the measuring of a customer for a fee. The price range for suits is \$900 to \$5,000. A customer pays the franchisee who, after deducting commission, then pays Muneer's Memorable Menswear. 20

The franchises tend to be quite small and, with very few exceptions, are organised as sole traders. All that is required is for someone to send out publicity, process in-coming orders, and then to distribute the completed items when they come in from Dubai. A significant number of the franchisees are established menswear retailers who have taken the welcome opportunity to increase their turnover. Canvassing for business is undertaken by newspaper advertising and by sending a catalogue and material samples to each existing and potential customer. 25

In Dubai, the tailoring shop remains open but located nearby is now a large factory employing 250 clerks, packers, cutters and machinists. Muneer adopts the same approach to running his multi-million dollar business as when he only had the shop. This means there is no formal internal structure. Muneer is, without doubt, the boss and he takes all decisions and accepts no arguments. He employs his six sons to help him. They manage the staff and have developed their own areas of expertise in, for example, production, marketing and purchasing. There are no other management appointments although various sections within the factory have supervisors. 30

Muneer's sons are concerned that he isn't getting any younger and the business is still being operated as a sole trader. They think that it should be turned into a limited company and properly structured with an organisation chart. Muneer understands the point but is not really happy with the suggestion. 35

Muneer is a clever businessman but his methods frustrate his ambitious sons. One advised that they needed a business plan, but Muneer said that the business was running well enough 'without fancy ideas'. Muneer's Memorable Menswear now has over 120 franchisees across the world and its turnover is approaching \$72 million annually. Despite Muneer's close control and attitudes, the business is modern and relies heavily on computer technology. 40

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<sup>1</sup> Expressed in US dollars

Working conditions are good in the factory. Employees work shifts in air-conditioned and very clean premises, and are paid above the average for the area. The factory works from 06.00-14.00 hours and 16.00-22.00 hours every day except Fridays when it is shut. Various incentives are available like a bonus for meeting targets and a health care scheme. Even though the employees work full-time and appear to be permanent, they are in fact appointed as casual staff. 45

Every business, in some way, will be subject to business environmental influences, ie the PEST [political, economic, social and technological] factors. Muneer follows the movement of the international economy and is well aware of the various factors that might affect his business, like the trade cycle. Although he doesn't really think he is threatened directly by political and economic policies, he is wise enough to know that his business relies upon the economic success of his customers. 50

The business is successful. Muneer is happy with it and believes he has the right marketing mix. He offers guarantees on quality and delivery but the contract of sale is between the franchisee and the customer. However, Muneer is very aware that his reputation is at stake even if the customer is doing business with the franchises. He will settle all reasonable cases of complaint where he is satisfied that the liability rests with him, or where the customer has been let down by the franchisee [which could mean the ending of the franchisee's contract]. 55

**You must attempt ALL of the following tasks.**

- 1 (a) Muneer has sold 120 franchises. Explain what a franchise is. [5]
- (b) Suggest **one** reason for Muneer remaining a sole trader and **one** reason for becoming a private company. [5]
- (c) Explain the purpose of a business plan and how it might help Muneer's business. [10]  
[Total: 20]
- 2 (a) Muneer's six sons manage all the 250 employees so there is a wide span of control. Explain what is meant by a wide span of control and indicate **two** problems it may cause. [5]
- (b) Muneer's management style is autocratic. Suggest and describe a different management or leadership style. [5]
- (c) Muneer's business seems to be working well even though it has no formal internal structure. Select and explain **three** purposes of having a formal structure to a business organisation. [10]  
[Total: 20]
- 3 (a) Muneer's employees are all casual. Explain the difference between permanent and casual employment. [5]
- (b) MMM relies heavily on computerisation. List **three** ways in which computer technology is likely to be used in Muneer's business. [5]
- (c) Identify and explain **three** expectations that the employer, Muneer, might reasonably have of his employees. [10]  
[Total: 20]
- 4 (a) With reference to availability of labour, costs, and access to markets, suggest how Muneer is able to run a successful business in Dubai even though many of his customers are thousands of miles away. [10]
- (b) Muneer is aware of PEST issues. Explain the likely influence of the trade cycle and disposable income on Muneer's Memorable Menswear. [10]  
[Total: 20]
- 5 (a) Explain the main features of Muneer's customer service policy. [5]
- (b) Explain how Muneer can be sure that the franchisees maintain the reputation of his business. [5]
- (c) Muneer believes he has got the right marketing mix. Explain what he means. [10]  
[Total: 20]

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