



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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5171/01, 5179/01**

Core Module

**May 2007**

**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 and attempt ALL the tasks that follow.**

(The following case study is fictitious.)

### **CRITICAL INCIDENT SOLUTIONS (CIS)**

Critical Incident Solutions (CIS) is a consultancy which advises companies how to prepare for those events that are so serious they threaten the existence of a business e.g. fire or extreme weather conditions. CIS has discovered that, no matter what the size, the majority of business organisations which do not have any critical incident planning go out of business within 18 months of a major disaster, such as a fire, happening to their business. 5

CIS was started in a small way, 20 years ago, by a group of experts. The business grew steadily and became active on a worldwide basis. CIS recently became a public limited company due to the rapid growth of business. This conversion allowed the company to raise sufficient finance for its expansion and operation. Indeed, the Chief Executive Officer (CEO) promises even more expansion in the near future. The company has several business objectives including profit, growth and satisfying client demand. Another objective is the development of its product - the nature and quality of its advice and systems. 10

CIS has a structure consisting of specialist teams i.e. each team is devoted to a specific area of expertise like explosives, insurance, construction. However, the CEO explained that what they actually have is a structure which developed because of the way that the consultants preferred to work together. They have created an efficient and effective business through team-work and working within a matrix structure. 15

The consultants are all enthusiastic and hard-working. The CEO said they are so motivated that they represent Maslow's self-actualisation, MacGregor's Theory Y, and Herzberg's job enrichment 'all rolled into one!' An article in the company magazine said that the CIS investors were not the only stakeholders in the business. 20

The consultants have considerable experience of critical incidents and have served in the fire and police services, armed forces, insurance and business finance sectors, construction and demolition. In addition to salary, full-time permanent consultants are paid an annual performance-related bonus. Some consultants are self-employed and recruited for specific projects. They are paid a fee and expenses. The nature of the company's business means that consultants must be prepared to travel at a moment's notice and be available on a 24 hours/7 days a week basis. The company encourages a flexible approach to work, for example, flexitime and teleworking. The company is concerned about its image and has clear expectations of its consultants. 25

Any business organisation is subject to various PEST or external factors which influence its operation. The CEO identifies the following factors as being the most important to CIS: competition, government attitudes towards business and the threats they face. The company's head office is in South Africa but it maintains operational offices and agencies in many countries. The location of its offices is crucial. The CEO explained that if CIS is called in to advise a company or a government immediately after a critical incident, it needs to be able to put consultants in place within 24 hours at the very latest. Occupancy costs are a continuing concern as their offices are always in smart business districts. 30 35

The main influences on the company's marketing are pricing, availability of substitute services, and the size of the market. As far as pricing is concerned, CIS says that although their fees are high the cost to a business of not taking preventative action could be very much higher. The CEO said that the company used to operate internationally but now its market place is global. CIS and its consultants regard clients as very special. They know that misleading or poor advice could bankrupt a business or result in the loss of life at worst. CIS is keen to ensure a high level of service to its clients as 'they are our main resource'. 40

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

- 1 (a) With more expansion of CIS likely, suggest how **each** of the following ways of raising finance might be suitable:
- (i) the issue of more share capital; [2]
  - (ii) ploughed-back profits. [2]
- (b) CIS is a public limited company. Identify and explain **two** features of a public limited company. [4]
- (c) Explain the following business objectives of CIS:
- (i) growth; [4]
  - (ii) satisfying client demand and product development; [4]
  - (iii) **one other** relevant objective (other than profit). [4]
- [Total 20 marks]**
- 2 (a) Identify and explain **one** advantage and **one** disadvantage of a matrix structure. [4]
- (b) Identify and explain **two** stakeholders in CIS (other than investors). [4]
- (c) Explain the features of the following motivational theories:
- (i) Self-actualisation; [4]
  - (ii) Theory Y; [4]
  - (iii) Job enrichment. [4]
- [Total 20 marks]**
- 3 (a) Consultants are paid salaries, fees and bonuses.
- (i) Explain what is meant by an annual performance-related bonus. [2]
  - (ii) Explain the difference between a salary and a fee. [2]
- (b) Explain the meaning of teleworking and identify **one** benefit of it to the consultants. [4]
- (c) Discuss the following expectations that CIS might reasonably have of its consultants:
- (i) effective time management; [4]
  - (ii) appropriate skills; [4]
  - (iii) commitment to the business and its objectives. [4]
- [Total 20 marks]**

- 4 (a) Every company is affected by external factors that influence its business activity. Explain how CIS might be influenced by:
- (i) competition; [4]
  - (ii) government policies towards business; [4]
  - (iii) **one other** relevant factor. [4]
- (b) The location of CIS's offices is considered crucial. Explain the following factors of location and how they might affect CIS:
- (i) occupancy costs; [4]
  - (ii) access to markets (i.e. clients). [4]
- [Total 20 marks]**
- 5 (a) The CEO says that CIS is in a global rather than an international market. Explain the meaning of:
- (i) global market; [2]
  - (ii) international market. [2]
- (b) CIS regards clients as its main resource. Explain what this statement means. [4]
- (c) Explain each of the following influences on the company's marketing policy:
- (i) pricing; [4]
  - (ii) availability of substitute services; [4]
  - (iii) the size of the market. [4]
- [Total 20 marks]**

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