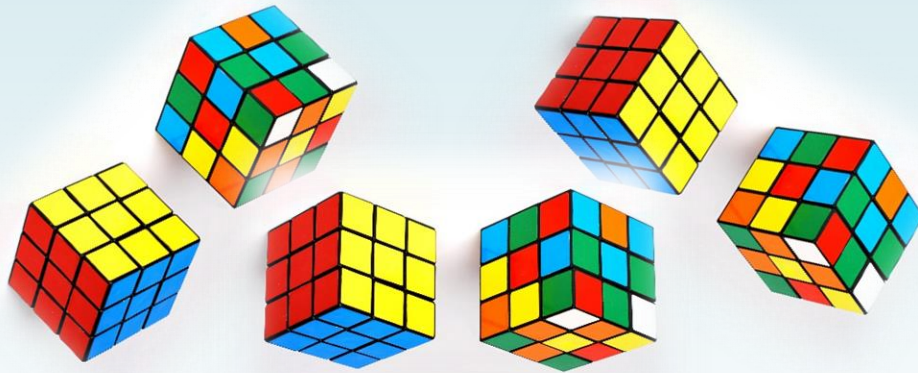


IB Business Management

50 EXCELLENT CUEGIS ESSAYS

Alric Chong & Lois Johnston-Walker



Ethics **Change**
Strategy
Globalization
Innovation
Culture

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Essay	Organization(s)	Page	Concepts					
			C	U	E	G	I	S
1	3M	14			✓			✓
2	AIA	16	✓					✓
3	Apple	18	✓			✓		
4	Bandai	20					✓	✓
5	Belle	22	✓			✓		
6	Bershka	24	✓			✓		
7	Breadtalk Group	26		✓		✓		
8	British American Tobacco	28		✓	✓			
9	Coca-Cola	30			✓		✓	
10	Coca-Cola	32	✓					✓
11	Dunkin Donuts & Mercedes	34	✓					✓
12	Facebook & Minsheng	36					✓	✓
13	Fairwood	38	✓					✓
14	Foxconn	40					✓	✓
15	Fraser and Neave Limited	42			✓		✓	
16	Genting	44				✓		✓
17	Google	46	✓			✓		
18	Google	48	✓	✓				
19	GoPro	50	✓				✓	
20	Huawei	52						
21	KFC	54			✓	✓		
22	Kimberly Clark	56			✓		✓	
23	Lego	58				✓	✓	
24	Lenovo	60	✓			✓		
25	McDonald's	62	✓	✓				
26	McDonald's	64		✓	✓			
27	McDonald's	66		✓				✓
28	Nike	68			✓	✓		

Essay	Organization(s)	Page	Concepts					
			C	U	E	G	I	S
29	NTUC Fairprice Co-operative	70		✓	✓			
30	Ocean Park	72	✓					✓
31	Orrick	74			✓		✓	
32	OSIM	76	✓					✓
33	PT Indofood	78				✓	✓	
34	Riot Games	80				✓		✓
35	Samsung	82	✓					✓
36	Shangri-La	84		✓	✓			
37	Siemens BenQ	86	✓	✓				
38	Sime Darby	88	✓					✓
39	SIA & Apple	90	✓			✓		
40	Singapore Post Limited	92	✓					✓
41	Starbucks	94	✓			✓		
42	Starbucks	96		✓				✓
43	Tesla	98				✓	✓	
44	Toyota	100	✓		✓			
45	Uniqlo	102	✓			✓		
46	Volkswagen	104	✓					✓
47	Walmart	106	✓		✓			
48	Yeo Hiap Seng	108	✓			✓		
49	Yves Saint Laurent (YSL)	110				✓	✓	
50	Zara	112	✓				✓	

Contents page (annotated versions)

Essay	Organization(s)	Page	Concepts					
			C	U	E	G	I	S
1	3M	114			✓			✓
2	AIA	117	✓					✓
3	Apple	120	✓			✓		
4	Bandai	123					✓	✓
5	Belle	126	✓			✓		
6	Bershka	129	✓			✓		
7	Breadtalk	132		✓		✓		
8	BAT	135		✓	✓			
9	Cathay Pacific & SIA	138				✓		✓
10	Coca-Cola	141	✓					✓
11	Dunkin Donuts & Mercedes	144	✓					✓
12	Facebook & Minsheng	147					✓	✓
13	Fairwood	150	✓					✓
14	Foxconn	153					✓	✓
15	Fraser and Neave Limited	156			✓		✓	
16	Genting	159				✓		✓
17	Google	162	✓			✓		
18	Google	165	✓	✓				
19	GoPro	168	✓				✓	
20	Huawei	171						
21	KFC	174			✓	✓		
22	Kimberly Clark	177			✓		✓	
23	Lego	180				✓	✓	
24	Lenovo	183	✓			✓		
25	McDonald's	186	✓	✓				
26	McDonald's	189		✓	✓			
27	McDonald's	192		✓				✓
28	Nike	195			✓	✓		
29	NTUC Fairprice Co-operative	198		✓	✓			
30	Ocean Park	201	✓					✓
31	Orrick	204			✓		✓	
32	OSIM	207	✓					✓
33	PT Indofood	210			✓	✓		
34	Riot Games	213				✓	✓	

Essay	Organization(s)	Page	Concepts					
			C	U	E	G	I	S
35	Samsung	216	✓					✓
36	Shangri-La	219		✓	✓			
37	Siemens BenQ	222	✓	✓				
38	Sime Darby	225	✓					✓
39	SIA & Apple	228	✓			✓		
40	Singapore Post Limited	231	✓					✓
41	Starbucks	234	✓			✓		
42	Starbucks	237		✓				✓
43	Tesla	240				✓	✓	
44	Toyota	243	✓		✓			
45	Uniqlo	246	✓			✓		
46	Volkswagen	249	✓					✓
47	Walmart	252	✓		✓			
48	Yeo Hiap Seng	255	✓			✓		
49	Yves Saint Laurent (YSL)	258				✓	✓	
50	Zara	261	✓				✓	

Introduction

How to use this resource pack

Thank you for purchasing this resource pack.

Section C in Paper 2 of the IB Business Management examination assesses conceptual understanding in the context of business management content. The CUEGIS essay has a significant implication on the final grade in the examination, as outlined in the table below:

Paper 2 Business Management Examination	
Higher Level	Standard Level
<ul style="list-style-type: none"> • Total marks: 70 marks • CUEGIS essay: 20 marks • 20/70 marks = 28.57% • Weighting of P2: 35% • Section C weighting = $0.2857 \times 35 = 10\%$ 	<ul style="list-style-type: none"> • Total marks: 50 marks • CUEGIS essay: 20 marks • 20/50 marks = 40% • Weighting of P2: 45% • Section C weighting = $0.4 \times 45 = 18\%$
10% of P2 grade	18% of P2 grade

This 263-page resource pack has been created by teachers for teachers and Business Management students alike. All the essays in this resource pack have been written by actual students and then marked by the authors. A great lesson activity is asking students to mark one of the blank essays (in this resource pack), using the CUEGIS assessment criteria. You can then compare and contrast the grades given, which is an effective way to initiate classroom discussion. Making this a regular class activity leads to a much better understanding of the CUEGIS concepts overall, in preparation for assessment in Paper 2, Section C.

Here are our top tips for students to succeed in the Paper 2, Section C:

1. Provide a definition of the concepts and the business management content given in the question.
2. Make sure you consistently demonstrate a clear link between the title question and the contents of your essay.
3. Structure your essays using an introduction, body of the essay and a conclusion. There should be fit-for-purpose paragraphs throughout the essay.
4. Use examples of real business organizations which are up-to-date and link these to the essay title question.

5. You can use the same organization in your Internal Assessment or your (Business Management) Extended Essay. But always have a few real-world organizations to fall back on.
6. Before starting the essay, take time to think about the most appropriate organization and consider relevant aspects of business management content.
7. Avoid sweeping (generic) statements and make sure your arguments are substantiated with examples and evidence.
8. Make sure you fully understand the five assessment criteria (see KARSI below).
9. Ensure you provide reasoned judgements (Criterion C) in your arguments. Basically, if an examiner can ask “why?” or write “not explained” on your script, you cannot score full marks for Criterion C.
10. Knowledge of and reference to the CEO or entrepreneur is a good way to identify an individual’s perspective (Criterion E).

An Introduction to KARSI

Getting to grips with the assessment criteria for the CUEGIS essay can be daunting for students, especially when there are five to cover in approximately 30 minutes, under exam conditions!

A more effective way for students to remember the criteria, as opposed to A, B, C, D and E is the mnemonic **KARSI**. This is a great word as it has many interesting meanings which can be used in the classroom; our favourite being a long gone *Game of Thrones* character!

The KARSI mnemonic

IB Criterion	KARSI Criterion	Description
A	K	Knowledge and conceptual understanding
B	A	Application
C	R	Reasoned arguments
D	S	Structure
E	I	Individuals and societies

For the following 50 essays, you will find each has been annotated by the authors with the KARSİ criterion. This has been done to show students and teachers alike how the criterion can be applied and what the difference is between each of them. For example, where the essay has been annotated with **(K)**, this means the candidate has successfully shown knowledge and understanding of one of the concepts or relevant business management content. However, it does not necessarily mean the candidate has achieved full marks for this criterion. To better understand how marks have been awarded, the feedback sheet and overall comment should be referred to.

About the authors

Alric Chong spent 5 years studying at the University of Sydney and Macquarie University in Australia, where he obtained his Bachelor and Master's degrees in Commerce (ASCPA Associate) respectively. He has over 15 years of teaching experience, having worked in various educational institutions including Bendemeer Secondary School (Singapore), Temasek Polytechnic (Singapore), Anglo-Chinese School Independent (Singapore), Overseas Family School (Singapore) and Shanghai Singapore International School (Shanghai, China). Alric currently teaches IB Business Management, Economics and Individuals & Societies at Victoria Shanghai Academy, Hong Kong. He is an experienced examiner for IB Business Management.

Lois Johnston-Walker studied for her Master's degree in International Management at the University of Sunderland, UK after completing her BA in Business Administration. She went on to complete a PGCSE in Business at the University of Huddersfield before starting her teaching career in London, UK. She has over 12 years of teaching experience, including working as Head of Business Studies at Ruislip High School in London. At the time of publication, Lois works at the British International School of Shanghai but will be moving to Hailyebury Astana in Kazakhstan where she will introduce Business Management as Head of Department. She also has a wealth of experience as an examiner.

Testimonials

“Overall, I think this is a fantastic resource for both students and teachers. It is clearly laid out and easy to follow. The KARS1 annotations are a good inclusion, and the comments for each criterion are also helpful. I wish the authors every success with this resource!”
 Fiona Charnely, Carey Grammar School, Australia

“What I like are the detailed examiner criterion feedback, the overall comments and links to the assessment criteria.”
 Keith Collins, Western International School of Shanghai

“A brilliant resource for BM teachers and students. Lots of good examples / case studies to help students prepare for this difficult assessment component of the course.”
 Jon M. Smith, ITS School, Hong Kong

“I found the essays very interesting, and the criteria based grading within the essay is very useful.”
 Prachi Gupta, IB Diploma Programme Coordinator, Yew Chung International School of Beijing

You may also be interested in the **CUEGIS Posters**, created by Anson Miu. The six posters are available as a password-protected PDF file, from Level7 Education, priced at USD20 (order through level7education@gmail.com)



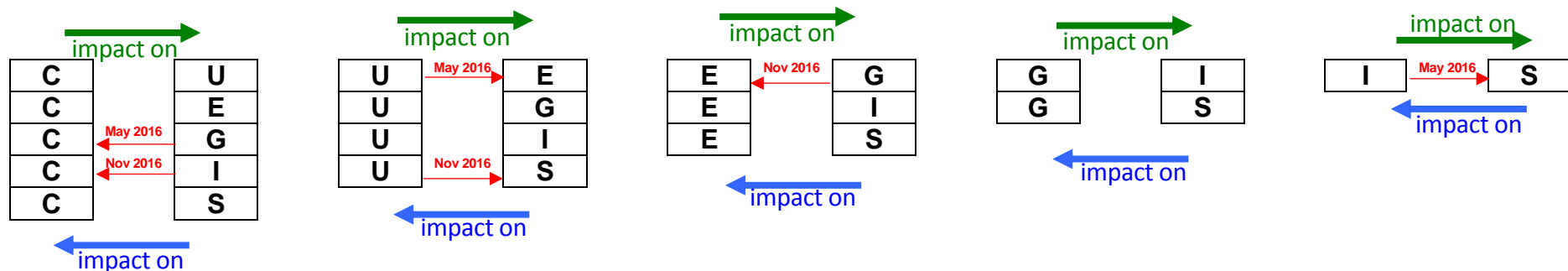
Top 4 Tips for Writing Excellent CUEGIS Essays

Tip 1: Possible combinations of the CUEGIS concepts in examination questions

To be better prepared for Paper 2 Section C essay questions, knowing how CUEGIS concepts could be combined could help you prepare specific case studies and examples in advance.

There is a maximum of 30 possible combinations of CUEGIS concepts in Paper 2 Section C since two concepts are asked in each of the three questions without any overlap. Each corresponding set of boxes below indicate one possible combination. For example, Change and Culture (C and U), or Globalization and Strategy (G and S).

There are also two styles of questions. One style, which appears in the IB specimen papers, is the impacts of both concepts on a particular content. The second style, which appeared in the 2016 examinations, is the impact of one concept on another. The diagram below shows the various combinations possible. The arrows denote the impact of one concept on another. Past examination questions are indicated in red. For example, the impact of Globalization on Change, or the impact of Innovation on Strategy.



Tip 2: Business management content naturally associated with CUEGIS concepts

It is also useful to know the business management content which are naturally associated with the CUEGIS concepts. These would be considered important for preparation of the conceptual essay.

Change

- Unit 1.1 Sectoral change
- Unit 1.2 Change in legal ownership
- Unit 1.3 Need for changing objectives
- Unit 1.5 Changes in internal and external environments
- Unit 1.6 Growth and evolution of organizations
- Unit 2.1 Changing employment patterns and practices, demographic change, change in labour mobility, and new communication technologies
- Unit 2.2 Changes to the organizational structure and the Shamrock Organization
- Unit 2.3 Leadership style changes
- Unit 2.6 Resistance to changes
- Unit 4.1 Changes in customer preferences

Culture

- Unit 2.3 Culture's role in communication and interaction, culture's influence in leadership and management styles
- Unit 2.5 Organizational culture, culture clash, culture gap
- Unit 4.7 Cultural differences in international marketing
- Unit 5.3 Total quality culture

Ethics

- Unit 1.3 Ethical objectives
- Unit 1.5 Business ethics, ethical opportunities and threats
- Unit 2.3 Ethical considerations of leadership and management
- Unit 4.1 Marketing ethics

Globalization

- Unit 1.4 Benefits and drawbacks given multitude of stakeholders
- Unit 1.5 Globalization as a factor of change in external environment
- Unit 1.6 Role and impact of globalization on growth and evolution
- Unit 2.1 Globalization as a factor in HR planning and HR strategies
- Unit 2.2 Globalization's influence on organizational structure and communication
- Unit 2.5 Globalization as a consequence of cultural clash
- Unit 4.7 Implications of globalization on international marketing
- Unit 4.8 E-commerce and globalization
- Unit 5.4 Offshoring and outsourcing, and their impact on location of production

Innovation

- Unit 1.3 Need to innovate in response to changes in internal and external environments
- Unit 5.6 Product innovation, process innovation, positioning innovation, paradigm innovation, incremental innovation, radical innovation, innovative creativity

Strategy

- Unit 2.6 Human resource strategy
- Unit 4.5 Marketing strategy, brand extension strategies, multi-brand strategy, pricing strategy
- Unit 5.5 Production strategy

Tip 3: Definitions of concepts

These definitions are an example of how you might define the six concepts. There is no universally accepted definition of any of these concepts, so they are intended for illustrative purposes only rather than being prescriptive.

Change

Change refers to the modification or transformation in the way business is conducted as a response to internal factors or external influences.

Culture

Culture refers to the norms, beliefs and values of an organization or a collective group of individuals, which shape its practices and characteristics.

Ethics

Ethics refer to the moral principles and values that form the basis of how business activity is conducted.

Globalization

Globalization refers to the process by which people, ideas, goods and services become increasingly spread around the world, creating greater integration and understanding of countries, organizations and cultures.

Innovation

Innovation refers to the improvements of a product or process to better meet the needs and wants of customers, in a profitable way.

Strategy

Strategy refers to planned actions designed to achieve the long-term goals or overall aims of an organization.

Tip 4: Planning your CUEGIS essay

Before you start your essay, it is worthwhile doing a quick plan. Simply having paragraphs in an essay does not mean that your ideas flow well. Criterion D (structure) requires you to write “fit-for-purpose” paragraphs. This means that you must write with clarity, with each paragraph clearly addressing the essay question.

To score maximum marks, you must have:

- ❶ An introduction to the essay
- ❷ A main body (with around 3 or 4 paragraphs)
- ❸ A conclusion
- ❹ Fit for purpose paragraphs (clear ideas that allow flow of arguments)

Generic CUEGIS essay structure

Introduction ❶

- Concepts
- Key terms
- Organization

Paragraph 1:

- main point
- relevant concept
- relevant content
- stakeholder (individual/group)
- supporting example/evidence

Paragraph 2:

- main point
- relevant concept
- relevant content
- stakeholder (individual/group)
- supporting example/evidence

Paragraph 3:

- main point
- relevant concept
- relevant content
- stakeholder (individual/group)
- supporting example/evidence

Conclusion ❸

- summary of main points
- final view (substantiated)
- answer the question

main body ❷

fit-for-purpose paragraphs ❹

1. Examine the strategic and ethical implications of e-commerce in an organization of your choice.

E-commerce is the trading of goods and services over the internet, electronic platforms and computer networks. This essay examines how 3M conducts business to consumer (B2C) and business to business (B2B) transactions through e-commerce strategically and ethically. Famous for its iconic sticky notes, 3M is a global innovation company based in the USA. From abrasives to aerospace and aircraft maintenance products, 3M is a diversified manufacturer of products across many industries. It has global annual sales of around \$30 billion and employs 88,000 people in over 65 countries.

Strategy in business means the decisions the organization has made in order to achieve its business objectives. The potential of e-commerce influenced Inge Thulin, 3M's CEO, to extend the company's relevance to customers and establish a presence in the marketplace. In implementing e-commerce, 3M invested \$20 million to restructure its information systems. One of the benefits of this strategic investment is allowing 3M to support users from all of its strategic business units, partners and customers and integrate data from hundreds of systems worldwide.

The new platform enables 3M to better connect with wholesalers, distributors, agents and retailers as well as individual consumers through its global network of e-commerce sites. However, the downsides to e-commerce are that it is costly to initially set up and implementation requires constant upgrades as technology continues to improve rapidly. The strategic implications of e-commerce to external stakeholders, such as 3M's business clients, are better stock control and personalization of orders. Corporate clients would be able to track their stock orders and thereby benefit by ensuring their business processes are not delayed. Business clients can also reduce costly calls from customers inquiring about the status of their order. Personalization allows 3M's clients to provide specific requirements in their orders. This would allow 3M to increase chances of additional purchases by clients. Internally, it allows an individual senior manager to make fast and better-informed decisions.

In 2006, 3M was investigating a more cost-effective and automated method for its salespeople to take orders, and provide real-time reporting for its head office. 3M hired the services of e-commerce software firm Ignify, a Microsoft Gold Certified Partner, and had a B2B online ordering portal live in just four months. 3M's Ignify e-commerce portal pushes information to sales people to provide access to near real-time stock levels. This benefits 3M as there is a reduction in the shipment time, thus improving customer satisfaction and reducing overhead costs.

For internal stakeholders like 3M's employees, such as its sales staff, e-commerce allows them to move away from a strict hierarchical reporting system. Instead, staff can adopt the use of cross-functional remote teams in order to deliver top service to customers. Individuals from R&D, marketing, sales, and production departments work together in teams to focus on new product and market opportunities. This is part of 3M's corporate Six Sigma strategy to achieve near zero defects introduced since 2001. Thus customers enjoy high quality products from 3M.

However, one major concern is the reliance of 3M on a third party to maintain and upgrade its database and e-commerce systems, raising concerns regarding security and privacy. Thus this raises the issue of ethics. **Ethics** in business are the values and principles that influence how the people in an organization behave. 3M uses a Global Internet Privacy Policy, which complies with all applicable privacy and data protection laws. The benefits of behaving ethically include customers gaining trust in the brand. There may also be issues concerning business partners and other external stakeholders who share their personal information with 3M. Thus, this forces 3M's internal stakeholders, such as Kimberly Foster Price, Senior Vice President of Corporate Communications, to be open and honest about 3M's information practices, making information available to interested parties and increasing information flow to the public. For example, such policies were published in 3M's corporate website. It is also the responsibility of Julie Bushman, Senior Vice President of IT, to ensure the security of confidential clientele information. 3M uses Secure Socket Layer technology to transfer personal information over the internet.

In conclusion, 3M pays a lot of attention to promote its company and brand through e-commerce as part of its business strategy, and acting in an ethical way. Despite some challenges in maintaining internet security and the costs of regularly upgrading its computer networks, 3M expects its online sales growth to continue, especially as an increasing number of both corporate clients and customers now place most of their orders through the internet.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

2. Discuss the consequences of a change in any combination of the STEEPLE factors for an organization's objectives and strategy.

Change refers to the adaptation of business organizations' objectives, strategies and operations in response to competition, new technologies and trends in consumer behaviour. **Strategy** refers to the significant long-term planning decisions that organizations make in order to meet the needs and wants of their stakeholders. AIA Hong Kong (AIA) is investigated in this essay in terms of changes in legal, technology and social objectives and strategies. AIA is a well-known insurance company that exists to provide their customers with financial protection, security, and a comfortable future. Given the nature of the industry in which it operates, AIA faces many challenges to serve the needs of people and companies in Hong Kong.

STEEPLE analysis is an investigation to the external environment faced by an organization. One change in the external environment that impacts on AIA's objectives and strategies is legal factor, such as legal rights, and health and safety regulations.

On January 1st 2016, the Government of the Hong Kong Special Administrative Region (HKSAR) established the Office of the Commissioner of Insurance to oversee the healthy development of HKSAR's insurance industry and the protection of policyholders. Every individual policyholder as an external stakeholder, is now required to disclose their financial situation to the insurance agent to prove that they are financially able to pay for their insurance policies. AIA's objective is "doing the right thing in the right way with the right people". Although this change increases AIA's expenses due to the compliance costs, it aligns well with its objective in doing the right thing (even if it costs AIA more to do so).

Ethics are a second STEEPLE factor affecting AIA's objectives and strategy. Bound by new changes to insurance regulations, AIA's agents cannot give any misrepresentation regarding any risks in investments. For example, the insurance agent should never deceive customers about the terms and conditions of the policies. The biggest impact of ethics is on the individual customer who may not have full knowledge or experience in financial investments and he or she needs to make informed decisions. However, a constraint of AIA's strategy to address this is the need for time and money to train its employees.

Another change in the external environment that impact on AIA's objectives and strategies is the technological environment. Technology becomes more advanced over time and AIA needs to follow the trend to have better technological systems to support its daily operations more effectively and efficiently. For example, e-applications have replaced the traditional paperwork for the insurance agents. Agents can now complete the documents for a client using a one-stop process that includes application with e-signature and online payment using an iPad.

Customers (an external stakeholder group) can download AIA's medical apps to search for nearby hospitals and panel doctors where their medical insurance provides cover. This change in strategy benefits AIA's customers by improving convenience of getting the first hand information through online apps. However, a limitation is network security and privacy. Confidential personal data on the e-applications, such as medical history and bank account details, could be hacked, even if encryption is used. Forbes magazine reported that during 2015, around 112 million health records were breached in the USA.

Finally, social factor such as demographic change also has a big impact on AIA's objectives or strategies. In HKSAR, there is a rise in the proportion of workers with degrees. Thus in terms of workforce planning, AIA's recruitment strategy is to attract more young people to join the company. Ten years ago, the average age of its front line agents was 40 years old but in 2015, the average age of its agents in HKSAR was 27 years old. AIA has created a special graduate program to fast track employees to management positions in the company. Thus a benefit of this strategy is the attraction of high-ability university graduates to join AIA.

In conclusion, changes in the external environment factors (such as legal, ethical, technological and social factors) have a great influence on AIA's changing objectives and strategies. AIA has to continually adapt to changes in these STEEPLE factors quickly to remain its position as one of the strongest insurance companies in Hong Kong.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

3. Examine how the concepts of change and globalization have impacted on the organizational structure at a company of your choice.

Apple is a company which produces electronic goods such as smartphones, laptops, music players and related electronic goods. Their products have been successfully selling for many years, with net profit peaking at over \$41 million in 2012. The organization has recently gone through a big change. The CEO has changed from Steve Jobs to Tim Cook.

Apple has always had a traditional hierarchy structure, according to the Panmore Institute. A hierarchy is where there are many levels of command within the structure, and an employee of a lower level would report to an employee of a higher level. This correlates with a long chain of command, which can lead to poor communication. In this kind of organizational structure, employees may feel less motivated to be highly engaged in their work compared to employees in an organisation which has a flat structure, as they tend to have very little interaction with managers and other employees towards the top of the hierarchy.

Adopting this structure at Apple, Jobs coordinated what was happening in the business through his subordinates reporting directly to him. He was well known for wanting to keep control to an extent. Cook, the current CEO has moved away from the traditional hierarchy, changing the structure slightly. One reason for this is he has a less authoritarian approach to leadership than Jobs. This is an example of an internal **change** which has impacted on the organizational structure and other elements of the business operations. It is well documented that Cook is more concerned with employee wellbeing and is less aggressive, meaning that communication between the different levels is likely to improve. However, this may be because Jobs, when he became CEO for the second time, was dealing with a business which was not performing that well, meaning his leadership style was more appropriate at that time.

As Apple expanded into different countries over the years through globalization, it became more difficult for the CEO to keep full control of what is going on around the world. **Globalization** refers to international trade across national borders. To an extent, Cook used centralization to ensure he and others at the top of the hierarchy had tighter control when operating globally. Centralization is where decision-making power is concentrated at the top. This helps to ensure there is more consistency but it can be demotivating for those further down the hierarchy.

A centralized hierarchy could be considered beneficial to Cook as an element of control because decisions can be made much more quickly. This will also be favourable for shareholders, where time means money. However, it may be more appropriate for Cook to look to adopt a more decentralized approach in the future as it is not always efficient to run such a large organization in a centralized manner. Some employees will feel centralization is a disadvantage as there may be fewer opportunities for them to make a contribution. However, some employees may prefer to have a clear sense of direction rather than making important decisions.

Overall both change and globalization have impacted on organizational structure at Apple significantly. Some changes such as the organizational structure have been subtle, but effective to date. In the long term, if Apple's rivals become more competitive and Apple cannot rely so heavily on its brand image, it may need to consider a different approach to its organizational structure, such as decentralization and a flatter structure to ensure further employee motivation and engagement where necessary.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

4. Examine the impact of innovation on promotional strategies for an organization of your choice.

Bandai Namco Holdings Inc. (Bandai) is a Japanese public limited company. It was formed from a merger between Bandai and Namco in September 2005. Bandai's core business is the production of toys while Namco specializes in the gaming market. **Innovation** can be defined as an improvement in a process or a significant change in the goods or services provided by a business. **Strategy** refers to a set of long term plans set to achieve certain organizational aims. **Promotion** is one of the 4 Ps in the marketing mix and refers to methods of communicating messages to the market.

Bandai has recently collaborated with HarshPlay, a free app that combines both live streaming and virtual reality (VR). HarshPlay offers gaming, sports and music. But the true innovation of this collaboration is its unique 360° locations for live streaming, gaming, sharing and watching in VR to all its customers. The advantage of this innovation is gaining a first-mover advantage in the growing market of VR as a new form of advertising media. This has a major impact on Bandai's promotional strategies as it is able to place its 360° locations (as advertisements or brand presentations) using QR codes or links using mobile distribution channels. However, a limitation of using VR networks as a promotional strategy is the need for customers to have VR headsets. Additionally, the adaptation rate of such users has been low.

Bandai's CEO, Hajime Nakatani, has a strong belief in the company's mission statement: "Innovation through creativity". Thus the impact of innovation is creating a corporate culture of creativity among its internal stakeholders, from the CEO to each individual employee in all aspects of Bandai's operations and strategies. In this respect, Bandai collaborated with Disney's Pixar in the new animated movie, "Finding Dory". This could be an effective way to promote Bandai's brand as characters from the earlier movie, "Finding Nemo" were very well received. Bandai produced playsets, feature figures, plush toys and bath toys that captured the essence of the film. The new iconic toy is Bandai's "My Friend Dory", an interactive soft figure which features 50 different phrases as Dory responds to various movements. However, from an ethical point of view, children may end up demanding their parents (through pester power) to buy more toys. Leveraging on pester power in promotional strategies could be deemed to be unethical.

Another innovation is Bandai's partnership with Afero to create its next generation of entertainment products and services by means of Afero's internet of things (IoT) platform using connected devices. Afero is a software company that specializes in providing businesses and developers with a one-stop platform for all connected devices, such as smartphones and even washing machines.

The advantage of this innovation is it allows Bandai to promote its products while providing a secure connection between devices. This is a new form of above the line promotion for the Bandai brand through the use of connected devices and cloud computing. As mobile devices (such as smartphones, wearable technologies and tablet computers) become more popular, the use of the IoT platform gives Bandai greater access to more potential customers.

However, the main limitation to this form of promotional strategy is that the IoT platform requires Wi-Fi for mobile devices to connect to the cloud. It would not be suitable for less developed economies which lack broadband infrastructure. Also, whenever an individual customer interacts through connected devices, ever-more details about each precise situation can be tracked and recorded for marketing purposes. Thus, an implication to an individual stakeholder such as a customer of Bandai is privacy of information and personal data security. Bandai's employees such as 3D artists, illustrators and animators, may face the danger of redundancies. As Bandai's marketing strategies shift towards IoT platform, some of its functions could be effectively outsourced. Some of Bandai's artwork, 3D modelling, and even promotional trailers and videos were already outsourced to GamecoStudios, a leading digital and video games art company.

In conclusion, innovation has a huge impact on Bandai's promotional strategies. Bandai's mission statement is crafted based on innovation through creativity. Bandai implemented innovative approaches using new technologies and strategic partnerships, such as Disney's Pixar, and created new promotional opportunities such as the IoT platform.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

5. With reference to an organization of your choice, evaluate the impact of change and globalization on its growth.

Many businesses aim to expand, grow and evolve in order to achieve higher sales and profits. This essay will focus on explaining the relationship between globalization and the growth and evolution (change) of Belle International (Belle) in terms of its impacts on various stakeholders. Belle is a footwear company founded in 1978 and is known as the No.1 (as it is the largest) women's shoe retailer in China, with 22% domestic market share. It is involved in manufacturing, distributing and retailing of the company's brands, such as Belle, Staccato, Teenmix, TATA and Joy & Peace.

Globalization is the process of ever-more integration and interaction between people, firms and governments of different nations, and is facilitated by international trade. From a Belle's perspective, globalization aids the process of expansion (growth and evolution), enabling it to earn more profit by operating across the globe. For example, Joy & Peace makes quality European footwear, with Italian footwear craftsmanship but serving mainly an Asian market such as Hong Kong, Macau, China and Malaysia. Belle is also a strategic partner of European shoe makers of licensed international brands such as Clarks England, Caterpillar and Hush Puppies. It is the largest distributor of these brands in China.

Globalization has meant that Belle operates on a much larger scale, with its shoes and related products sold in over 150 different cities. Hence, Belle can take advantage from having economies of scale (lower average costs of production) due to the ability to buy raw materials (such as leather) in huge bulk and the use of highly efficient machinery (which smaller firms cannot afford). This ultimately results in higher profit margins earned on each unit of shoes sold. This in turn has resulted in more employment opportunities.

On the other hand, a limitation of being a large, global company is the potential to encounter diseconomies of scale as a result of issues like miscommunications and ineffective command and control. This might also be due to cultural clashes in different overseas markets.

Change refers to how competition, new technologies and market trends lead organizations to adapt its operations and strategies. In an ever-globalized market, it is important for Belle to adapt to changes in fashion, consumer preferences and technologies (such as e-commerce being used to sell/buy women's shoes). With the threat of global competition, it also becomes more difficult to earn customer loyalty. In this respect, Belle chose to develop certain brands in response to changes in demand from the rising middle-class consumers in China and Macau. Another change was branding for different market segments, e.g. Teenmix provides style for the teenage consumers while TATA provides fashionable shoes for female consumers in their 20-30s. In contrast, Staccato is dedicated to the working female who prefers European footwear, while FATO is Belle's line of men's shoes for the affluent group of male customers. However, Chinese consumers often change their brand loyalty between foreign and local brands as fashions change continually.

The CEO, Baijiao Sheng, believes it is crucial to lead Belle on the path of globalization to future its growth. Greater sales revenue means better remuneration through bonuses and pay. The same would apply to his managers and employees. Customers have also gained from Belle growth in international distribution networks, giving them choice and convenience.

As a conclusion, the impact of change and globalization has been significant in influencing Belle's growth. Despite some possible limitations of change and globalization, there have been evident opportunities gained by Belle, such as its ability to exploit economies of scale and to partner with other shoe makers in Europe.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

6. With reference to a multinational company you have studied, examine how stakeholders have been impacted by change and globalization.

Bershka is an international fashion retailer, formed in 1998 and is part of the Inditex Group. The Inditex Group owns brands like Zara, Stradivarius and Pull & Bear. Bershka has expanded to trade globally with stores all over the world. Bershka has over 1,000 stores and makes up about 10% of the sales of the Inditex Group. Bershka targets their clothing at a younger market and sets a low price so it's affordable for their customers. Like all businesses, Bershka has various stakeholders to keep happy, especially when dealing with organizational change and globalization. A stakeholder is an individual or a group that has a direct interest in what a business does.

Bershka is located throughout the world, such as China, Spain, Belgium and so on. The CEO of Inditex, Pablo Isla wants to expand to even more countries as this is likely to increase market share and they can become better known worldwide. However, as Bershka gets more popular prices might begin to rise. If Bershka becomes a market leader, they gain higher profit margins by charging more for certain products, but lose their original identity as a low price supplier.

On the other hand, customers in new markets will be happy about the new retail option at Bershka. Therefore, the CEO has to put a very careful strategy in place, following detailed market research, to ensure the needs of new and existing customers are met. Bershka's worldwide presence has been possible through **globalization**, which is where world economies become more integrated and a greater number of businesses trade internationally.

A policy of Bershka and the Inditex Group is to **change** their designs every 2-3 weeks to keep up with the fashion trends one of their main objectives. The constant change of designs can put pressure on the designers. Bershka employs around 300 designers who have to come up with 35,000 designs every year to live up to the expectations of the customers. This constant pressure of changing designs and being up to date has a huge impact on the employees. Workers could feel less motivated because they might not have enough time to meet these expectations; it might even mean some of them copy the ideas of other designers from other firms. In the long term, such pressures could damage the reputation of Bershka. On the other hand, some employees may enjoy the challenges and autonomy of coming up with creative ideas under a short period of time.

The change in designs has a positive impact on the customers of Bershka, as they have more options to choose from. Their online store makes all items available, so if it's not in the store they will have it online. However, a customer may go to buy a product and find that it's no longer being sold, and end up with frustration and dissatisfaction about this change.

Overall, change and globalization have had a positive impact on Bershka's stakeholders, as it has grown into a well-known brand and has stores in 71 countries around the world. Customers are able to buy Bershka clothing, thanks in part to globalization and the company meeting its customers' needs and by keeping up-to-date with new trends and changes in the clothing industry.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

7. Discuss the implications of cultural differences and globalization on the international marketing for an organization of your choice.

BreadTalk Group Limited (BTG) started as a local boutique bakery in Singapore and eventually grew to become a multinational food and beverage business with operations in over 16 cities across Asia. Now BTG is a conglomerate of bakeries, restaurants and food atria. To become a global brand, BTG needs to be able to market its local Singaporean food culture in foreign countries. This is referred to as **international marketing**. Outside of Singapore, BTG faces higher levels of competition, along with different customer demands and expectations. The impact to BTG's stakeholders varies as it is a public listed company on the Singapore Stock Exchange.

One implication of **globalization** would involve BTG's food exports to countries where there are differences in national **cultures**. This refers to the commercial transfer of BTG's Singaporean food and beverages to other countries where customs and norms are different, namely BTG's signature pork floss bun dish (which is a very local Singaporean favorite). Eating these buns may be a new experience to customers in other countries and cities, such as Beijing where dumplings are very popular. When it comes to cultural differences, there is a risk of non-acceptance by overseas people. To overcome this, BTG's international marketing strategy involves adapting the marketing mix that is tailored for each foreign territory. Through creativity and originality, BTG has cultivated new food cultures across its bakery, restaurant and food atrium divisions. By infusing creative differentiation in BTG's international marketing strategy, the company has been successful in market development of its proprietary brands such as BreadTalk, Toast Box, Food Republic, RamenPlay and The Icing Room. Despite cultural differences, through successful international marketing, culture exports could allow BTG to grow by providing new products in new markets (product development in Ansoff's matrix). In fact BTG's growth over the recent years showed the success of its international marketing. The successful international marketing of BTG allowed the CEO, Tan Aik Peng, to earn S\$1.9 m in remuneration.

An advantage of incorporating cultural differences in BTG's international marketing strategy is building stronger connections with its customers and facilitating better brand awareness. Selling bread in Shanghai was a challenge for BTG as the locals viewed SGD \$1.30 for its bread to be too expensive, as bread is not a main staple compared to rice noodles and steamed dumplings. BTG's market research found that the Chinese people have more of a preference for salty savory foods. BTG's food court business in China was not making profit for several years as locals are not used to self-serving counters compared to BTG's Singaporean market where dining in food courts is a standard way of life.

However, the globalization of new dining concepts overseas could have implications on various stakeholders of BTG. Local restaurants will face greater competition. The promotion of more sugary products in BTG's Middle Eastern markets through international marketing could lead to more health problems such as obesity and diabetes, attracting the unwanted attention of pressure groups and the media. Cultural differences could arise from the way sugar is consumed in different markets.

In conclusion, while globalization allows expansion opportunities for BTG, the success of its international marketing depends largely on how customers perceive its brand, which in turn is affected by cultural differences (such as differences in language, values and national customs). Cultural differences could mean what is popular in Singapore may not be so in other countries.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

8. With reference to one or two organization(s), discuss how ethics and culture influence the way firms target consumers in different markets.

Identifying a target audience of consumers is of great importance for a new business organization. A **target market** refers to a specific market segment that a business aims to focus its marketing efforts on. The ability to distinguish between different target audiences makes it possible to determine a particular consumers segment. In context of British American Tobacco (BAT), there are significant implications of ethics and culture affecting the ways it targets consumers in different markets with its tobacco products.

BAT's targeting of young consumers in Kenya was called into question. Moral guidelines of business practices are referred to as **ethics**. BAT was accused of using advertising and promotional methods in Kenya that are banned in the UK, by associating smoking with sports and fashion. Pressure groups such as Christian Aid and Friends of the Earth attributed BAT's hugely successful marketing to Kenya's shockingly high smoking rate where more than half the adult population smoke. There are also reported cases of many young children smoking too. BAT was heavily criticised for focusing its marketing strategy on encouraging loyal customers. However, in context of tobacco products, this means addiction. Thus the example of Kenya raises ethical issues about how BAT targets its products at consumers.

On the other hand, in developed countries such as Singapore, the Tobacco Act was implemented in March 2016 to de-normalize tobacco use, reduce the exposure to juveniles and non-smokers as well as to restrict the advertising effect of point-of-sale tobacco product displays. Similar legislations have also been implemented in Australia, Canada, Iceland, New Zealand, Thailand and the United Kingdom. Tobacco retailers in Singapore are now mandated to use storage devices to keep tobacco products out of the direct line of sight of customers. Retailers will have to use a text-only price list to communicate the tobacco products on sale with customers. This heavily limits the ability of BAT to directly target customers in retail stores in countries such as Singapore, Australia and the UK.

Internal stakeholders such as BAT shareholders and its sales team will be concerned about its tobacco sales due to these changing ethical considerations. Nicandro Durante, the CEO of BAT, may receive less bonus pay-out should BAT's tobacco sales fall. Indeed, shareholders are likely to receive less dividends in such as case. Customers will find it harder and more expensive to buy cigarettes. Tobacco producers such as BAT will find it even harder to target customers. BAT also needs to implement its own internal guidelines in order to meet particular country's demands. With this in mind, BAT formulated a Sustainability Agenda, which comprised of harm reduction, sustainable agriculture and farmer livelihoods and corporate behaviour. However, businesses cannot expect to use the ethical principles from one country and have success in another country which is why culture also needs to be considered.

Culture is another important factor in influencing how BAT targets consumers in different markets with their products. Culture can be referred as the traditional beliefs, customs and practices of a country or region.

China's smoke addiction is ingrained in its history. Tobacco was heralded by military generals to have morale boosting powers and was crucial to the military dating back centuries ago. Now in modern Chinese culture, offering cigarettes to strangers to start a conversation is a social etiquette. Serving a cigarette to others is considered good manners. In many places in China, the particular brand of cigarette also represents one's social and economic status. The presence of domestic tobacco manufacturers means there are many types of cigarettes available in China and a big price gap exists between different cigarette brands. BAT's other tobacco competitors, such as Panda and Chunghwa are symbols of prestige in China, the world's biggest yet fastest growing tobacco market. More than a quarter of China's 1.2 billion population are smokers with the largest segment being the 65% of adult men who are smokers. Many provincial ordinances ban sale of cigarettes to minors and there are national laws on juvenile smoking. However, inconsistencies in local law enforcement of advertising bans allow BAT to target different segments in China. Thus, BAT's shareholders can enjoy greater returns from their investment as China is a key market for BAT.

However, the World Health Organization warned that one-third of all Chinese men alive today will die from lung cancer and tobacco-related illnesses. Other pressure groups in Beijing are petitioning the central government to sign up to the United Nations Framework Convention on Tobacco Control, which mandates it to enforce tighter restrictions on cigarette marketing and consumption. However, China's own large domestic tobacco producers may lobby this to protect their own interests.

To conclude, the ability of a business to target consumers in different markets with its products, whilst considering ethical and cultural dimensions, is vital as it contributes to the overall success of the organization. Whilst understanding more about the culture of the target markets enables businesses to attract more customers, BAT has a tough balancing act in satisfying its stakeholder groups as ethical issues of selling more tobacco products can be very contentious.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

9. With reference to an organization of your choice, discuss the importance of innovation and ethics on marketing.

Marketing refers to the management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. It involves meeting the needs and desires of customers by ensuring the product, price, place and promotion are effective in encouraging customers to buy the firm's products. Many factors affect how a business makes its marketing decisions, such as innovation and ethics. In this essay, I will be looking at the marketing of Coca-Cola, the largest drinks manufacturer in the world, and how its marketing is affected by innovation and ethics. Founded in 1886, it needs innovative and ethical marketing to ensure that a company as old as Coca-Cola can survive.

Innovation can be defined as the incremental or radical improvement of a business product or process. This could include new business ideas for a product, or the improvement of an existing product. In this essay I will refer to **ethics** as the moral implications governing a business decision. When a business makes a certain decision, there will be opinions on the morality of that decision, by the public especially, for a large multinational like Coca-Cola.

In 2013 when Pakistan and India were at political odds, Coca-Cola introduced the "Coke Small World Machines", where a vending machine was placed in both Pakistan and India with interaction video communication devices, allowing customers to see other customers across country borders. This innovative idea used the machine to dispense a can of Coke to the customers on both sides if they completed friendly actions, such as waving to each other or touching hands on the screen. The purpose was to promote happiness and friendliness between two countries at odds with each other, with the intention to allow citizens of both countries to forget about their political struggles with each other. Not only was this innovative, but to the local customers of India and Pakistan, this was also deemed to be a very ethical marketing decision, with Coca-Cola acting in hopes of improving the dispute. This marketing campaign helped Coca-Cola to improve its brand image across the world. We can see how an ethical matter influenced Coca-Cola to promote itself in India and Pakistan.

Coca-Cola also introduced the innovative "Friendly Twist Cap". The product was such that the bottle of Coke could not be opened unless it was fitted with another Coca-Cola Friendly Twist Cap. This product allowed more social interaction between customers in order to spark happiness, by acting as a friendly medium to start a conversation. This product was also a success on social media. This provides potentially free marketing opportunities for Coca-Cola.

With the innovation of fast and efficient technological devices, e-commerce has become a very powerful tool for marketing. For example, with customers sharing stories about this innovative product, this acted as a very fast medium for word-of-mouth promotion, further helping Coca-Cola to market its product. Through an innovative business idea, such as the Friendly Twist Cap, and taking advantage of the internet, we can see how innovation has affected Coca-Cola's marketing of its brand.

In conclusion, customers in Pakistan and India were greatly and positively affected by the ethical promotion of Coca-Cola's Coke Small World Machine. Shareholders of Coca-Cola also greatly benefited from this marketing decision, as it greatly improved the company's reputation. The youth benefited from Coca-Cola's Friendly Twist Cap, as it was a fun and interactive way to socialize with peers. Also, a majority of the internet users are also within the younger demographic, and would have been greatly affected by this social trend.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

10. Examine how change has impacted on the outsourcing strategy for an organization of your choice.

The Coca-Cola Company is an American multinational beverage corporation, which manufactures and sells soft drink concentrates and syrups. A key factor of being a successful globalized business can be an **outsourcing strategy** – a method of reducing production costs by transferring non-core internal business activities to external firms. The outsourcing method used by Coca-Cola had both positive and negative impacts on different individuals and stakeholder groups because of changes implemented by Coca-Cola.

Changes in Coca-Cola's production plans through outsourcing, such as the production of its bottles, brought lots of advantages for the business. Coca-Cola chose to license a group of independent bottlers while imposing strict quality control. This outsourcing method was very innovative at the time. Some years later there was conflict between Coca-Cola and its outsourced, independent bottlers. Coca-Cola had bought out several bottle-making alliance partners to develop its own internal capability, and the bottling company Coca-Cola Enterprises was founded. However, this turned out to be very expensive, so Coca-Cola decided to outsource its bottling production again. The change in cost and profit margin therefore meant Coca-Cola implemented a change whereby outsourcing was reintroduced.

Change in this case refers to the modification of the production strategy Coca-Cola was using. This was a disadvantage for employees working at Coca-Cola's bottling plants as many were made redundant when the firm decided to outsource. However, it was advantageous for the employees at independent bottlers as their jobs were likely to be more secure with Coca-Cola's business.

It wasn't only bottling production that the Coca-Cola Company outsourced. It also outsourced production activities which involved extracting and refining processes for beverage ingredients. Monsanto Chemical Company had provided saccharine and caffeine to the Coca-Cola Company. Coca-Cola reduced labour costs as outsourced employees are not directly part of its organization. Moreover, this is beneficial for its shareholders as the outsourcing strategy, part of its long term plans, allows Coca-Cola to reduce costs and therefore increase profits. Also, Coca-Cola has created more job positions for low income groups through outsourcing, for example, sugar cane farmers in El Salvador.

On the other hand, there were several unethical practises highlighted by the media which affected Coca-Cola's brand image. The exploitation of child labourers in El Salvador sugar cane fields, one of the company's subcontractors, resulted in lower sales temporarily. Sugar cane farming is known to be a highly dangerous agricultural activity and children are injured frequently. Coca-Cola's CEO, Muhtar Kent, will need to consider this because his reputation and the corporate image will be damaged if news of child labour is not dealt with. If he shows an effort to deal with the issue and ensure ethical standards of the company's outsourcing strategy are applied, it could in turn improve his and the organization's reputation. This event had a positive impact on the changes Coca-Cola made and they have continued to use outsourcing in a more ethical manner.

To conclude, Coca-Cola is using its outsourcing strategy to boost its profits by reducing overall costs of production, but some drawbacks can be found in LEDC countries. However, through mistakes made, Coca-Cola has learnt how to become more ethical and ensure fair treatment of its employees in its outsourcing strategy.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

11. With reference to two multinational organizations that you have studied, compare the cultural differences in the way their products are strategically positioned.

The two multinational organizations that I have been studying are Dunkin' Donuts and Mercedes-Benz. Dunkin' Donuts is an American worldwide doughnut company and coffeehouse chain based in Canton, Greater Boston. Mercedes-Benz is a global company that specializes in the production of luxury automobiles. Since both of the companies are multinational companies, they have to deal with different cultures. **Culture** in business means that organization operates in a range of environments in which its role may be interpreted differently. These expectations affect planning, decision-making and strategy implementation. Within an organization, values and backgrounds influence what stakeholders such as employees, managers and directors focus on and how they work. **Product positioning strategies** refer to the ways an organization seeks what it is in the eyes of their customers.

Back in 1995, there was just one Dunkin' Donuts store in Beijing. The company plans to open and operate more than 1,400 Dunkin' Donuts restaurants across China over the next 20 years. Culture differences between USA and China presented a significant risk and had a big impact on how the CEO, Nigel Travis, formulated his strategy for Dunkin' Donuts. In terms of positioning itself through a brand identity, the American company struggled even with getting a name in China as the company name could not be phonetically spelled in Chinese characters that made any sense. It was finally decided to be called Sweet Sweet Ring in Chinese characters to target young adults.

Local cultures also impacted flavours and taste preferences. In terms of product positioning, another marketing challenge faced by Dunkin' Donuts was very little brand awareness among Chinese consumers and most of the customers in China are foreigners. Typically, new Chinese customers are puzzled by the product and brand. Dunkin' Donuts need make their Chinese customers feel comfortable ordering things they weren't familiar with. Therefore, Dunkin' Donuts needed to position themselves as a foreign brand with local flavours. Therefore, in US, Dunkin' Donut's menu mostly focused on food that are cream and sweet, but the Dunkin' Donut menu in China are mostly focused on local people's preferences. For example, in China, they have some very unique beverage offerings, including Rose Latte, Brown Sugar Latte, and Mango Coolatta. Donuts were localized to include both sweet and savoury donuts such as Chocolate Yeast, Boston Kreme, Double Chocolate Mochi, Beef Curry Donut and Seaweed and Dried Pork Donut. To external stakeholders like customers in China, they gain in terms of greater choice while at the same time appreciate access to a foreign snack food. They could order plain Munchkins and choose between three savoury spices: curry, barbeque, and pizza. Dunkin' Donuts staff would put the spices into a bag, add the Munchkins and then hand it over to customers who were encouraged to continue shaking up their Munchkins. However, this means that internal stakeholders like the staff, needs extra training to learn to prepare a wide variety of food preparation. Consistency and quality standards are other issues that need to be considered. Overall, successful use of product positioning allows Dunkin' Donuts to increase its sales in China.

On the other hand, Mercedes Benz has had less challenges in positioning itself in China. Mercedes adopted a product positioning strategy as a producer of highly reliable and safe vehicles with a price premium that is associated with its quality and fine details. The Chinese auto market is rapidly overtaking the US as the world's most profitable and strategically important. Foreign-origin brands account for almost 70% of total Chinese sales. In Chinese culture, brand perceptions and the appearance of one's car are critical and status symbols. How Mercedes Benz positioned itself has a big impact on its competitors. BMW in China is associated with the arrogant and wealthy officials, whilst Audi is synonymous with privilege and authority. However, Mercedes Benz's positioning is shunned by young Chinese buyers as it is perceived to be a "retirement" car usually driven by much older buyers. Chinese consumers have also very strong views in terms of who drives a particular make and model and why. These perceptions often contradict how brands are perceived in the Europe.

In conclusion, these two multinational organizations used product positioning strategically. However, these strategies are influenced by different cultures such as tastes and preferences of the local people. By prioritizing what other customers love in different cultures, multinational organizations will be more successful in overseas markets.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

12. Discuss the role investment appraisal plays in business strategy and innovation for one or two organizations of your choice.

Incorporated in 2008, Minsheng Financial Leasing Co. (Minsheng) total assets have grown to be valued at over RMB 110 billion. Minsheng seeks to position itself as a premium private jet leasing firm by providing new and luxurious aircrafts that are fuel efficient. Minsheng's strategic vision is to become the best private leasing company in China and Asia by creating brand awareness and becoming a globally competitive leasing company. Minsheng's **organic growth strategy** refers to the company's expansion by using its internal resources and funds with a long term aim to increase their scale of its business operations and revenue. This provides value for money for its business customers.

However, Minsheng needs to ensure profitability and good returns from investment for its shareholders. According to the latest available annual reports, although the Chairman, Dong Wenbiao and Vice-chairman Hong Qi received around RMB \$4 million, the cash dividend payout ratio has fallen by almost 50%. The Chairman is under great pressure to ensure greater profitability for Minsheng and higher returns to shareholders through its expansion strategy. In this aspect, investment appraisal plays an important role in evaluating strategies. **Investment appraisal** refers to numerical methods used to analyze the financial costs and revenues from the acquisition of an asset with a view to gain potential financial benefits.

Using sales forecasting based on its annual lease revenue from the existing fleet of 300 aircrafts and proportioning to the new 60 aircrafts bought last year, a simple approximation of RMB 362 million annual lease revenue could be derived for this investment. With an initial investment of US\$2.6 billion, a payback period could be approximated by dividing this with a monthly contribution of RMB 30 million. From this simplistic calculation, it would take approximately 44 years to recover the initial investments. A payback period refers to the length of time before the investment generates sufficient revenue to recover the initial cost outlay. Directors and managers may find this too long a payback period so reject the idea. However, if directors and managers are risk takers they may consider other qualitative factors that may give Minsheng longer term benefits such as increased market share through product development or even market development, increase in brand recognition and customer loyalty. An expansion of its fleet of aircraft would allow Minsheng to provide more existing leasing services in existing markets (product development) or even to new markets (market development). This acquisition presented an opportunity for Minsheng to pursue its long term strategic vision of being the best leasing company in China and beyond. An implication to business travelers is greater convenience and more efficient services from Minsheng.

While growth was the main intention of Minsheng's strategy, innovation seems to be the major driver for Facebook. **Innovation** refers to how businesses generates new commercial ideas or make improvements to its products and services. Facebook is basically an internet-based social networking service with a vision to "give people the power to share and make the world more open and connected." Facebook is a market leader among instant messaging (IM) apps, with 79% of total market share in the IM market.

Facebook continually innovates its IM tools with unique functions such as face recognition, self-destructing messages and Uber rides, which differentiates it from other IM tools. Facebook's acquisition of WhatsApp, a mobile messaging app, stems from its over 450 million users each month. WhatsApp's group messaging function was reported to be increasingly used as a replacement for Facebook's groups function. But with a price tag of US\$19 billion, internal stakeholders such as shareholders would question the merits of this investment. Thus, the role of investment appraisal allows a quantitative analysis of this takeover of WhatsApp. Assuming a monthly contribution of US\$15 million approximated based on its financial statement and an initial investment of US\$19 billion, an elementary computation of investment appraisal shows a payback period of over 600 years. Clearly from a quantitative perspective, this is not a rational decision. Facebook's shareholders have to be convinced that taking over WhatsApp would potentially allow new opportunities to provide more innovative features over mobile devices to its external stakeholders, Facebook users, while at the same time allow its internal stakeholders, directors and managers to fulfil the corporate vision.

In conclusion, the role of investment appraisal in business strategy and innovation is to provide a quantitative assessment of financial costs and benefits for decision making. However, depending on the techniques used such as payback period, relying on investment appraisals alone could lead to a myopic or short-term perspective or bias towards financial gains in the long run. Benefits and returns from strategies and innovation tend to be long-term and sometimes even be in the form of intangibles, such as brand image and brand loyalty and these are not considered in investment appraisals. It is an important planning tool as decisions made will have serious implications to various internal and external stakeholders.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

13. With reference to an organization of your choice, discuss the importance of a unique selling point as a strategy in response to change.

Fairwood is a Chinese fast food chain co-founded by Mr Lo Fong Seong and by Mr Lo Hoi Fook in 1972. Its mission is “Enjoy Great Food. Live a Great Life”. Fairwood believes that people and customers should always come first. Today, Fairwood employs 4,900 people in over 110 restaurants across Hong Kong and mainland China, serving 100,000 customers a day.

Strategy is defined as devising plans to achieve the long-term goals of an organization. A major strategy employed by Fairwood is the use of a market development growth strategy, which is considered a medium risk growth strategy that involves selling new products in new markets. It has also strived to develop a **unique selling point** (USP). To a business, it is very important because by having a USP it can increase the loyalty and brand value. The use of e-commerce is also part of its USP. For example, Fairwood launched an online platform which allows customer reviews and comments. Fairwood can then use these comments for making improvements.

Fairwood recently launched a 3-year brand re-engineering program, to enhance its brand image and competitiveness. This strategy involves an investment of HK\$15 million to redesign the company’s logo and its menu. Fairwood’s strategy gave the opportunity for Alan Chan, a famous Hong Kong designer, to create Fairwood’s new logo of a “jumping man”, symbolising the youthful and joyful energy to Fairwood’s customers. It emphasizes the benefit to customers of healthy daily meals, served for their convenience. This strategy was well received by the HK public, helping the restaurant chain to gain a USP.

Another USP of Fairwood is its special themed meals, based on Chinese festivals, such as Mid-autumn festival and Lunar New Year, which helps to encourage repeat customers. Fairwood’s strategy of developing this USP involves market research to find out what customers want and how to fulfil their changing needs.

Change defined as driving forces and restraining forces creating an alteration or transformation of business operations in order to remain competitive. Firstly, in response to changes in Hong Kong’s demographics, as more of the younger middle working class have less time to cook at home, Fairwood’s strategy includes rebranding its image to attract younger customers to its restaurants, e.g. by providing set meals which come with traditional Chinese “home-made” soup – a deliberate strategy to differentiate itself from Western fast food chains. Fairwood also modified its marketing mix in response to such changes. For example, Fairwood invited actor To Man Zaak to promote its brand, endorsing the youthful and energetic message. Fairwood’s restaurants were renovated to provide customers with a feeling of happiness and relaxation. Its menus provided food items that are based on four different periods of time: breakfast, lunch, afternoon tea and dinner. Lastly, Fairwood sets the price of its meals at reasonable prices that are affordable to the mass market, including the young working class. The benefits to its customers are convenience, more menu choices and affordability. Shareholder’s returns are increased, as a USP translates into increased sales revenue.

However, one limitation of Fairwood's USP is its other competitors such as Maxim and Cafe de Coral can imitate its actions and strategies. They have offered similar set meals and menus for breakfast, lunch, afternoon tea and dinner.

In conclusion, it is of strategic importance to Fairwood in creating a unique selling point. This allows Fairwood to build brand loyalty and increase its customer base. However, any USP in the highly competitive fast food industry in HK is often short-lived.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

14. With reference to an organization of your choice, discuss the impact of innovation on operations management strategy.

Foxconn is an electronics manufacturer, supplying smartphones and tablet computers to companies such as Samsung, Sony and Apple. In 2016, they reduced the amount of factory workers they were employing by 60,000 people so that they could become more capital intensive using **innovative** technologies. This is an example of a radical innovation strategy to improve the production process. By the end of 2016, Foxconn installed 40,000 production robots across its factories in China. Using robotics is a long term planning decision i.e. a **strategy**, so that a business can better meet the needs of its key stakeholders.

The aim of this for Foxconn was to become more productive, which means resources are more efficiently used in the production process. This is a very important element of operations management strategy, whereby goods (such as Apple iPads and iPhones, Sony's PlayStation 4 video games console, and Samsung smartphones) have to be provided to meet customer needs at the right quality level in a timely manner.

The use of robotics in the production process has been introduced by Foxconn so they can improve productivity, which has resulted in the revolutionization of the manufacturer's operations management strategy. The investment in innovative technologies will mean that more can be produced at a quicker rate, with fewer defects. Greater use of automation should also help Foxconn to benefit from economies of scale as higher levels of output help to reduce average costs of production. In theory, this is an advantage for customers as they are likely to benefit from price reductions. However, with the average price of iPhones going up every year, this doesn't seem to be a benefit being passed on to Apple's customers.

This innovative strategy used by Foxconn can also have various other negative impacts on stakeholder groups. One of the main problems is the loss of employment for the 60,000 employees at Foxconn. However, the company did argue that there won't be long term job losses and that with training some of these employees can do more value added work, such as research and development. However, it is highly unlikely that all 60,000 relatively unskilled employees will be able to benefit from these opportunities at Foxconn.

On the other hand, as increased productivity leads to cost savings and higher profitability, the staff that do remain at Foxconn may benefit from higher pay. This may then attract better quality employees to the firm. However, this is unlikely following reports that the entry-level salary at Foxconn is just £180 per month and further cases of employee suicides in 2016. In the long run, the use of capital-intensive technologies will improve the profitability of Foxconn, generating a greater return on investment for its shareholders.

It can be concluded that innovative technology, such as greater use of modern robotics and automation, has enabled Foxconn (as part of its operations management strategy) to benefit various stakeholder groups at the cost of others. As the manufacturing giant pursues goals of improved productivity and lower costs, there will ultimately be winners and losers. In the long run, innovations in robotics and automation (with less reliance of labour) are likely to be embraced by rival manufacturing companies in the future, so Foxconn's strategy is essential to remain competitive and a market leader.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

15. Discuss the role of ethics and innovation in the corporate social responsibility of an organization you have studied.

Fraser and Neave Limited (F&N) is a major player in the food and beverage industry in the Asia Pacific region. Nearly half of its annual \$2.4 billion sales revenue comes from dairies while 40% comes from soft drinks and beer. Its portfolio of established brands allows F&N to enjoy strong market leadership in Asia Pacific. Being a public listed company in Singapore with over 9,000 staff worldwide, it is accountable to various stakeholders such as shareholders, employees and customers. **Corporate social responsibility** (CSR) of businesses have come under the spotlight as pressure groups have been lobbying governments to take action. CSR is the continuing commitment by a business organization to contribute to economic development while improving the quality of life of all internal and external stakeholders such as employees, their families the local community and society at large. To fulfil F&N's CSR, the CEO, Somsak Chayapong, made innovation and ethics key drivers in its production of beverages.

F&N's remarkable growth is achieved through innovation by creating beverages that meet consumers' changing needs and preferences. Beverages are developed to promote healthier options for consumers, including products with added nutrients, reduced or no-sugar added. **Innovation** can be referred to as improvements to or the generation of new ideas in relation to a commercial product, service or process. F&N Dairies has set very high standards for its food safety, production efficiency, and energy usage. Its MES (Manufacturing Execution Systems) system allows F&N to improve its efficiency by operating at its maximum output and reduces costs related to production, logistics and inventory. This innovation allows F&N to manage and monitor work-in-process, keep track of all manufacturing information in real time, receive up-to-the-minute data from robots, and ultimately implement lean production.

The largest canned milk factory in the world, F&N's Rojana plant in Thailand achieved "100% First-Time Quality," a lean production standard that shows what parts are produced correctly without the need for inspection, rework or replacement. Thus innovation allows F&N to achieve economic sustainability in its operations management by using resources efficiently and in a socially responsible way. About 140 million tons of raw milk is supplied to F&N's Rojana plant daily from seven dairy co-operatives in Thailand. Economic sustainability has also allowed F&N to achieve its return on investment in the Rojana production facility within one year and this allows the F&N's Board of Directors to justify to the shareholders the money investment in this off-shored facility.

The Department of Livestock Development has identified problems of over grazing, thus undermining ecological sustainability as the capacity of nature to meet the demands of current generations are exploited at the expense of the ability to meet the needs of future generations. Thai farmers resorted to the use of concentrates, industrial by-products and crop residues. Thus, this led to ethical issues relating to the supply of raw ingredients to F&N. **Ethics** refer to the moral and social responsibilities of businesses. As part of F&N's CSR to address these ethical issues, F&N introduced new technologies that help fresh milk cooperatives increase their productivity. This is a positive impact on external stakeholders such as the milk suppliers of F&N.

Business ethics can offer F&N a competitive advantage. Consumers are more discerning these days and learn to trust ethical brands and remain loyal to them, even during difficult times. Likewise, greater employment opportunities for the younger generation in rural areas led to labour shortages on the farms. To attract talented and skilled workers to work in its manufacturing plants, F&N uses a global human resource policy that places emphasis on continuous learning, strengthening leadership skills and promoting interactions between various stakeholders such as co-workers, customers and the community. CSR also includes social interactions between a business organization and its community to improve the quality of life.

One of the advantages being an employee at F&N is the safe and healthy work environment where he or she feels motivated through a sense of belonging. In Malaysia, F&N initiated a recycling campaign to actively promote the habit of the 4R philosophy (Reduce, Reuse, Recycle and Rethink) in 40 pre-schools, primary and secondary schools in Kuala Lumpur. Working with the Department of Education Selangor, F&N is committed to inculcating lifelong 4R habits in children that would influence them to make greener choices in their adulthood.

However, business ethics and CSR could reduce F&N's ability and freedom to maximize its profit. These improvements in working conditions, such as providing training, professional development and health and safety standards reduce the level of cost-savings for F&N. Despite this, it could be argued that these restrictions on F&N's freedom benefit the wider society, at least in the long run.

In conclusion, innovation and ethics have a huge influence on F&N's CSR. These have a major implication to F&N's respective stakeholders. F&N's ability to establish itself as a leading and respectable brand (as a socially responsible corporate citizen), is evidenced by its ability to incorporate best practices to minimise the impact on the natural environment, contribute meaningfully to local communities and engage its stakeholders in a socially responsible manner.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

16. For an organization of your choice, evaluate the growth strategies adopted in a globalized business environment.

Genting was established in the early 1960s by entrepreneur Lim Goh Tong. As a risk-taker, Lim Goh Tong successfully obtained approval from two state governments in Malaysia to develop a casino hotel-resort on the summit of 2000-m tall Mount Ulu Kali, just 55 kilometers from the capital Kuala Lumpur. Since then the company has grown to become a multinational company and a public listed company. The success of Genting can be attributed to its diversification and market segmentation strategies.

These **strategies** are long-term plans to achieve the long-term goals of the organization, enabling Genting to grow in an increasingly globalized business environment. **Globalization** refers to the breaking down of national boundaries and interconnectedness of markets across the world. For example, Genting operates within ASEAN – a grouping of countries in Southeast Asia formed to promote cultural, political and economic development. Tariffs are exempted for trade within ASEAN and this has significantly facilitated Genting's growth.

Diversification as a growth strategy refers to introducing new products to new markets. For Genting, diversification from casinos to energy, plantation and biotechnology had boosted its revenue to RM\$18.1 billion. Another advantage of diversification is that Genting can tap into new markets such as commodity markets for oil, gas and palm oil. Intangible assets such as patents could be created in research on biotechnology. However, a limitation of this growth strategy is the very high risks involved. Oil and gas exploration costs are substantial and there is no guarantee a site is of commercial value or can generate a worthwhile return on investment for shareholders. Likewise, the development of oil palm products in biotechnology is a long process involving product testing and safety checks. The returns, if any, tend to materialize only in the long-term. The investments from these large scale projects bring benefit to the hosting country (such as Indonesia) as more jobs are provided to workers. However, there are environmental issues relating to the cultivation of oil palm in these countries. External stakeholders such as pressure groups and local governments are naturally concerned about the environmental impacts from such large scale operations.

Another strategy used by Genting to grow is greater use of market segmentation. Market segmentation refers to the division of a broad market into distinct subsets of consumers that share similar needs, and then target them. Genting's *Resorts World Sentosa* investment project in Singapore is a good example. Apart from the casino, the resort boasts numerous luxurious hotels, a Universal Studios theme park, Adventure Cove Water Park, and S.E.A. Aquarium. Depending on the age and purchasing power, these attractions offer different options to its customers. For an individual high roller or wealthy gambler, s/he will visit the casino. To a young family, they can go to visit the theme park and the other places of attractions. Thus, there is something for all customers to enjoy in Resorts World Sentosa.

Genting also constructed another new hotel, Genting Hotel Jurong which is built on land next to the future site for the Kuala Lumpur-Singapore High Speed Rail Terminus. Jurong West is a business hub in the Western end of Singapore, where the second causeway links travelers to Malaysia. Here, the hotel targets businessmen. This will mean greater convenience for regular businessmen who make frequent visits between the two countries and thus Genting benefits from increased globalization. Since its opening in 2015, healthy occupancy rates were recorded.

However, there were some issues with external stakeholders like pressure groups in Singapore. Genting's attempt to attract more global tourists to Sentosa Island meant it had earlier proposed introducing live whale sharks in the S.E.A Aquarium's (the world's largest oceanarium). Fearing bad publicity and action from animal rights groups, Genting eventually scrapped this plan.

In conclusion, Genting is highly successful in using growth strategies such as diversification and market segmentation to increase revenue in a globalized business environment. Genting has fully understood the importance of various stakeholder needs in implementing its growth strategies.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

17. With reference for an organization of your choice, examine how culture and globalization have impacted on the types of financial and non-financial rewards used.

Due to cultural differences and globalization, Google's way of rewarding staff has changed over recent years. Often cultural differences and globalization influence the type of financial and non-financial rewards a company uses, because they need to be differentiated for different people in different contexts. In South Korea and the USA, Google has different types of reward systems due to differences in their customs and culture.

In terms of **culture**, which refers to the norms and values held by a group, people are more motivated through financial rewards in South Korea. The main reason is because in South Korea, it is generally accepted that if they earn more, people are more likely to be satisfied and they will work harder. However, this is only when the basics, such as safety needs are provided. Thus, Google uses a reward system in South Korea that is based upon a mixture between Maslow's hierarchy of needs and Taylor's theory. Maslow's hierarchy of needs suggests that employees are motivated, only if their physiological needs (such as job security and basic financial support) are met and they can then move up the hierarchy to be more motivated. Taylor's theory is also applicable as there needs to be extrinsic motivators such as higher salaries or fringe benefits to increase staff motivation. Hence, Google's type of rewards is more geared towards financial rewards in South Korea.

Google aims to provide more autonomy to workers and an environment that allows them to think creatively. This impacted on managers, a stakeholder of Google, as they have to provide autonomy whilst monitoring work progress, which can sometimes lead to conflict. This is not always applicable in different cultures, where work norms are different.

Globalization is the integration of economies and firms worldwide in terms of cultures, politics and economics. Because of this, Google employees around the world will expect the same kind of rewards, otherwise they can become demotivated due to equity reasons. Thus, Google has changed the way they manage employees in Google South Korea. They are now managed similarly to employees in the USA, where non-financial rewards are equally important, which follows Daniel Pink's theory. For instance, there is a greater degree of autonomy (they can decide what and when to work, for example), and workers have greater opportunities for mastery by tackling more complex projects.

Google USA has always been managed based on Herzberg's and Pink's Theories. In other words, there are more non-financial rewards used. These include empowering staff and enriching their jobs. Some of the additional benefits staff get are widely documented through the media, such as its wellbeing rooms (with library, games consoles and rest 'pods') and slides that take workers down to the canteen for free meals. One of Google USA's rules is that employees cannot be more than 100 meters away from food stations. This greatly impacts on the level of motivation and creates an environment where employees can focus and be truly creative, which helps ensure Google meets its overall aims and objectives.

However, there are downsides. In some cultures, workers are more compliant (to management instructions) so they will be motivated by stricter rules and regulations. For South Korean workers, greater focus on financial rewards could result in higher productivity at Google. Consequently, this can impact on their profitability and shareholders, the owners of the company, who receive less dividends if profits drop.

It can therefore be concluded that Google has made good efforts to ensure employees around in South Korea and the USA are motivated through financial and non-financial rewards, regardless of cultural norms. However, there will always be difficulties meeting all employee needs when it comes to motivation, especially as culture is such a complex issue.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

18. With reference to an organization of your choice, discuss how change and culture have impacted on its labour turnover.

Google is an American multinational corporation which provides internet-related products and services, such as internet search, software and advertising technologies. Its corporate **culture** is interesting as it has a high staff turnover, according to a tech industry survey. They have a high staff turnover because they are in a highly competitive industry and employees are often persuaded to go to other firms in Silicon Valley as they will get better pay. As Google has a relatively young workforce, it is also contributed to the fact 'Generation Y' employees are known as being quite disloyal, leading to higher turnover at Google. **Labour turnover** measures the percentage of the workforce that leaves the organization in a given time period.

Change refers to adaptations made due to factors in the internal and external business environments. Google has increased the number of employees significantly since it first started out, as technology improved and they had to be able to compete with other search engines like Yahoo! and Bing. Google therefore needed to hire different types of employees who would be able to complete roles effectively, however, as there are not many job seekers in this market it is very hard to find employees and keep hold of them, despite Google having some of the best perks for employees worldwide. However, it might be good that Google needs to regularly hire new workers as it will bring new ideas into the firm as people have different experiences and different perspectives.

The positive corporate culture Google is known for could encourage employees to stay with Google. Corporate **culture** refers to the norms and values within a business organization. For example, Google is known for providing free food for its employees and they allow workers to take a break whenever they feel like it, as long as the work they have to do is completed on time. Staff wellbeing is a major theme too, as Google allows workers to bring their pets to work, provide staff with free gym access on-site and provide relaxation spaces for their staff. Google believes that by doing this they will stimulate the creativity of their employees.

However, there are also disadvantages as employees would be able to take advantage of so much freedom in the workplace, which could lead to work not being done on time or not to the right standards, which could lead to higher labour turnover again. This would then effect the customers of Google. The search engine may not be as effective or there could be other issues that won't be fixed because the employees as Google are not as focused because they get so much autonomy. This however, is unlikely because these employees are well educated and professional and it is highly unlikely to be a reason for high turnover.

Other companies in the same industry as Google might benefit from the high labour turnover rate as they know that the employees of Google are trained well. Furthermore, as the industry has changed throughout the years and new jobs are created, Google employees with their skills and qualifications may be headhunted. This gives the employees more opportunities to gain employment in an ever changing industry.

In conclusion, both change and culture have had major effects on labour turnover at Google. Changes in cultural norms of this generation mean workers don't commit to firms for as long. This is particularly the case in the fast-paced high-tech industry in which Google operates. With so many competitors in Silicon Valley (such as Facebook, Yahoo!, LinkedIn and Twitter), employees have far more choices. Also the highly competitive nature of this industry means people will also be in a position where they can change jobs far more often.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

19. With reference to an organization of your choice, evaluate the importance of change and innovation in starting a new business.

Innovation is the incremental or radical improvement to a business idea, or the generation of new ideas in relation to a final product, service or process. It is important to apply innovative ideas in starting a new business to differentiate its products and gain a unique selling point (USP), but it also has risks that the new idea or product is not accepted by the customers and it requires high costs for the innovation process. Nick Woodman, the founder and CEO of GoPro Inc. perceived the innovative idea of photography whilst surfing the waves off the Australian coast, so he conceived the idea of a compact sized, waterproof, versatile camera at an affordable price that can be mounted on his surfing gear or his body. This gave birth to the brand “GoPro” in 2002. Now, GoPro Inc. is the leading innovative US company behind the world’s most versatile action camera, the GoPro HERO systems. To a risk-taker individual like Nick Woodman, innovation presents an opportunity for him to start up a new business.

The advantage of applying innovative ideas in starting a new business is it provides a USP which allows the business to attract lots of customers. The first GoPro 35mm camera was a huge success. The USP of the 35mm GoPro was it had been labelled as a ‘sportive camera’ that can be used in extreme sportive activities such as scuba diving, surfing, mountain climbing and snowboarding. This USP of GoPro cameras attracts customers (an external stakeholder group) who want to capture high quality photos while they are doing their sports activities. Customers, especially the early adopters, will however have to pay a high price for such innovative technologies.

Another advantage of innovation in starting a new business is it benefits the company and the owners (internal stakeholders) from having a first move advantage (FMA). Before the existence of GoPro, there were demands for ‘sports camera’ but none of the mainstream camera makers focused on this market niche. GoPro created a new market in the camera industry for the sports cameras so was able to enjoy having the first mover advantage. Having a FMA allows the company to dominate the market in order to build up brand loyalty and credibility.

The emergent of GoPro cameras created change in the industry as the possibilities and usability of capturing very special photographs in extreme environments and activities can be taken with ease and hassle free. **Change** refers to the transformation in the way business is conducted as a response to varying internal and external influences, such as the demand of the market for cameras for sports enthusiasts. GoPro would benefit from this by not having any existing competition. Nick Woodman could further develop his business and gain a lot of profit if he is successful in capitalising on this change, by creating a niche market in digital imaging.

However, there are risks in starting a new business. An investor (internal stakeholder) of the business could lose all their money if the innovation or change does not result in profits. The risks need to be considered as the new product might not be accepted by customers. Nick Woodman was fortunate as he received over \$230,000 of investment funds from his parents to start his business.

Although GoPro has been successful, it also faced some disadvantages brought by innovation. The risk of releasing the GoPro camera by applying Woodman's innovative idea is high because little was known about the demand for 'sports cameras'. Another disadvantage of innovation is it requires a lot of investment yet it might have a high chance of failure. To minimise the risks, Woodman launched the relatively low-risk cost-effective 35mm GoPro cameras to test the market, using the relatively small start-up financial resources available. The sales of this versatile, wrist mounted action camera demonstrates clearly the huge potential market. It helped the company to understand and determine the market, realizing there is demand for such sports cameras'. Hence, this approach allowed Woodman to further develop the business with its innovations.

Change also presents another set of challenges for GoPro as digital imaging technology is constantly evolving. This mandates GoPro to invest heavily in R&D (research and development) in order to improve the quality and functionalities of its products and to create new models. There is no assurance of success in R&D however. However, to protect its investments in R&D, GoPro holds numerous patents for its compact waterproof housings, video imaging and audio capture technologies. In addition, there needs to be a culture of innovation among GoPro's employees. These internal stakeholders need to be adaptive to changes in the industry and be creative in their work processes.

To conclude, innovation and change present many opportunities for a business organization like GoPro to be established. A new business can apply innovative ideas in response to changes in the market by creating products for a niche market. For a new business to be established successfully, it must be able to meet the dynamic needs of its intended customers and create growth opportunities in the future. Change and innovation necessitate a business to keep up with advancing technologies and survive in different economic conditions.

20. With reference to an organization of your choice, discuss the impact of globalization on innovation.

Globalization of markets, and in particular the telecommunications industry, has resulted in businesses scrambling for new innovative strategies to stay competitive. **Globalization** refers to the process by which people, ideas, goods and services become increasingly spread around the world, creating greater integration and understanding of countries, organizations and cultures. **Innovation** refers to the improvements of a product or process to better meet the needs and wants of customers, in a profitable way.

Founded in 1987 in Shenzhen (China), Huawei started as a networking and telecommunications equipment and services company. Today, Huawei is the world's largest telecommunications equipment manufacturer one of the world's leading brands of mobile phones. With its goods and services spanning over 170 countries and catering for more than one third of the world's population, Huawei a truly a multinational business organization and lives up to the literal translation of its name as "Splendid China".

One positive implication of globalization to an individual stakeholder such as the Chairwoman, Sun Yafang, is that it forces her to be a critical strategic thinker. As a key leader of Huawei since 1999, it is her duty to ensure staff are continually thinking of ways to make Huawei more competitive. One way for her is to integrate ancient Confucius wisdom with modern western knowledge to formulate a global vision for Huawei. Huawei's strategies include having a competitive culture that embraces innovation as a response to global needs. In fact, almost 45% of Huawei's workforce work in R&D. The World Intellectual Property Organization (WIPO) reported receiving nearly 4,000 patents applications from Huawei in 2016 alone. All this has helped the company to establish itself as an innovative market leader in the ever-global world of telecommunications.

A positive impact of globalization is it forced Huawei, which would otherwise have had a typical top-down culture and approach, to adopt a paradigm innovation culture. This means the company fosters change (brought about by globalization) in its organizational structure and corporate culture, allowing it to meet the needs of its customers across the globe. Huawei structured its business into three organizational levels: its headquarters in China, regional offices and Research and Development (R&D) centres around the world. Sabrina Meng, Huawei's Chief Financial Officer, believed decentralization would enhance the company's ability to come up with new products to specifically meet the demands of its customers.

However, decentralization to members lower in the hierarchy could be a concern for Sun Yafang and Sabrina Meng as it means a loss of management control. Also, a consequence of its paradigm innovation culture was the establishment of a corporate culture known as 'wolf-culture' in Huawei. Wolves are known to be bloodthirsty, resistant to extreme cold and taking actions as a pack. According to its corporate website, Huawei expects its employees to be responsive to changes, fearless when encountering challenges and to take action as a team. However, this could result in overworked and highly stressed employees.

Globalization also led to Huawei becoming more market-oriented in order to compete with well-established global leaders such as Apple and Samsung. Market-orientation refers to an outward looking marketing philosophy that focuses on meeting customer needs. For example, Huawei is currently aggressively investing in 5G technologies which allows users to connect to each other faster. A customer-centric innovation strategy would enhance Huawei's competitiveness as more markets are opened up. Globalization allows more customers to access Huawei's innovative products, such as its smartphones. Huawei sells low-cost 4G smartphone models for as little as US\$76, offering customers great value for money in many markets such as China, Thailand, Indonesia and India (where Apple has only 2% market share). Other innovative developments from Huawei include driverless car, remote surgery, virtual reality (VR) and VR-based immersive entertainment, all of which can be marketed to a global market.

However, innovation is a very expensive strategy and there is no guarantee that the products developed will become profitable, especially as high-tech consumer products tend to have a short product life cycle. For example, the average customer replaces their smartphone lifetime every 29 months in the UK, and only 18 months in the USA. In addition, globalization of markets means the smartphone industry (which is worth hundreds of billions of dollars a year) faces intense competition from producers such as Samsung and Apple.

In conclusion, globalization has had a very big impact on Huawei's innovation. Globalization forced Huawei to be completely revamped from inside out in order to benefit from access to a worldwide market. In under 30 years, Huawei went on to become one of the most innovative corporations in the world, using market-oriented innovations to produce value-for-money products to meets the needs of its customers all over the globe.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

21. With reference to an organization you have studied, examine how ethics and globalization have impacted on its mission statement.

KFC is the world's second largest fast food restaurant chain as measured by sales revenue (after McDonald's). There are more than 20,000 outlets located in 123 countries. Its **mission statement** is "to sell food in a fast, friendly environment that appeals to pride conscious, health minded consumers". This essay will look at how **ethics**, the moral principles adopted by a business, and **globalization**, the growing integration of the world's economies, have impacted on this mission statement.

Firstly, KFC has caused lots of unethical issues in the past, which had an impact on sales revenue in China. Back in 2012, the Chinese government announced that KFC had used poultry containing antiviral drugs and growth hormones. This led to the bad reputation and brand image of KFC in China and consequently resulted in a temporary loss of customers. Also, this problem decreased the profit of KFC China. KFC decided to change its mission statement the year after, which is stated above. KFC acknowledged its unethical behaviour and made a new statement to show that it will not tolerate any further food safety issues. However, in 2014, KFC restaurants in Shanghai were found to have supplied expired meat, so the company was under further scrutiny.

Conversely to these problems, KFC remains the largest foreign fast food restaurant chain in China. Also, KFC has expanded into Africa, and now it is the second most powerful foreign brand in South Africa. As both China and South Africa are major emerging countries, KFC has used its global status to use a market development strategy. KFC has used the changing environment in the BRICS economies to their advantage. However, the globalization of KFC has brought difficulties such as adapting the menus to suit varying local tastes.

Pressure groups like People for the Ethical Treatment of Animals (PETA) have been actively acting against KFC. PETA has accused KFC of being inhumane towards chickens. This suggests that the mission statement's reference to a 'friendly environment' could be deemed by some as a contradiction or hypocritical. On the other hand, PETA has made suggestions to KFC to lessen the pain caused to chickens which may be a step in a more ethical direction.

Additionally, shareholders are losing confidence in KFC because of the many unethical issues it has encountered. As KFC was suffering problems in China back in 2012 and 2014, shareholders might want to sell their shares as the value of the shares and the dividends paid out declines. However, more recently problems with ethical behaviour have not been highlighted in the news media, so this issue seems to have been temporary only.

To sum up, KFC still needs time to achieve its mission statement, as its food safety scandals have not proven easy to deal with and its global reputation is still tainted with the bad media coverage. It is clear that ethics and globalization have had a big impact on KFC's mission statement as it was completely reworded to improve the brand image of the firm.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

22. For an organization of your choice, examine the impact of innovation and ethics on sustainable operations management.

In 2015, haze from the Indonesian forest fires engulfed neighbouring Malaysia and Singapore and reached as far as southern Thailand and the Philippines. Environmental group WWF Indonesia attributed the fires to “collective negligence” of multinational companies, local businesses and the local government. The cost to various stakeholders were enormous. The World Bank estimated that the 2015 Indonesian forest fires caused \$935m of losses relating to lost agricultural productivity and trade in Riau province of Indonesia alone. The negative impacts from unsustainable operations from palm oil producers were felt by various external stakeholders from the local community in Indonesia to an individual such as a city dweller in neighbouring countries. An estimated 500,000 cases of respiratory tract infections were reported and an estimated 100,000 premature deaths. This disaster highlighted to importance of ecological, social and economic sustainability in production. **Sustainable operations management** allows the consumption of goods for the people of today without compromising the consumption of people of tomorrow.

Kimberly-Clark (KC) is one of the largest producers of tissue products in the world. KC emphasizes sustainable forestry and sound environmental practices. The majority of KC's tissues contain fibres derived from wood pulp. Part of its strategy on ethics includes protecting natural resources, safeguarding forests that combat greenhouse gases, and supporting healthy ecosystems that sustain life. **Ethics** are the values and principles that relate to the moral and social responsibilities involved in business decision-making. Since 2009, KC uses a sourcing policy on its international fibre suppliers, mandating suppliers have achieved forest certification. A negative implication to KC's suppliers is the additional production costs due to KC's stringent requirements. However, a positive implication for KC is increased brand loyalty as customers have assurances regarding green and ethical practices.

An advantage of ethical practices to KC is eligibility for sales of paper products in countries which require environmental protection certifications, such as the European Union nations, where all government purchases of paper products must be from approved suppliers. Thus suppliers with sustainable production practices, such as KC, gain from this. However, a negative impact of ethical practices is that government legislation on environmental protection is not uniform across the world. For example, corruption and political issues in Indonesia undermined the government's efforts to impose effective legislation. Also, the compliance costs mean that KC spent \$710m on advertising spending to promote its commitment to the sustainability of its operations.

Innovation refers to the creation of new ideas or improvements to existing ones in relation to the commercialisation of products, services or production processes. KC's approach to its operations management focuses on the minimal use of natural resources throughout the product life cycle, from raw materials all the way through to its customers and the final disposal of its products. KC's products have been developed with waste reduction in mind. KC's R&D in innovation focuses on “Reduce Today, Respect Tomorrow”. This commitment directs the way KC design products to eliminate waste at every stage in a product's life.

However, this innovative approach to operations management resulted in KC's Research and Development expense exceeding \$300 million according to its latest annual report. Another concern is that identifying products that contribute to environmental innovation is complicated and debateable because there is no world-wide scientific consensus and there are different standards in different countries.

KC is a trusted global brand, largely due to its commitment to sustainability. During KC's 150 anniversary, it renewed this commitment with its "Sustainability 2022" initiatives that preserves innovation to extend the life of its products and packaging materials by researching in new ways to reduce pressure on natural resources and to develop sustainable alternatives. The biggest impact of this is on consumers. They now have access to improved, safe and sustainable products that range from quality personal care to baby wipes. KC's profit margin has increased more than 60% over the last 5 years. The benefit to shareholders are increased dividend pay-out. KC announced an extra 5% increase of dividend in 2016 and the CFO was awarded a \$1.5m bonus.

In conclusion, KC's operations management has been driven by innovation and ethics. This strategy enables KC to gain competitive advantages by building a quality brand that is associated with sustainability and shows its commitment to its various stakeholder groups.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

23. With reference to an organization you have studied, discuss how corporate social responsibility has been impacted by innovation and globalization.

As a business expands and grows to maximise their profit, it may face challenges of being socially responsible. **Corporate social responsibility** refers to businesses acting morally towards its stakeholders, including the local environment. Danish company LEGO became the world's largest toy manufacturer in 2015, having gained customers from all around due to its highly appealing products. Through LEGO's constant innovation and globalization, they have managed to maintain the title of having a good reputation for CSR by changing and adapting different aspects of their business operations. Examples include releasing The LEGO Movie in 2014 and innovating new material for LEGO toys.

Following the worldwide release of The LEGO Movie, sales of LEGO toys grew by 15% within the first two quarters of 2014, through the purchase of film-themed toys. Whilst benefiting from **globalization**, LEGO didn't forget its aspirations, which is to reach more children in local communities with activities that benefit both the children and their families. This forms part of LEGO's CSR policy and business strategy. LEGO used the movie to spread moral lessons, such as "It doesn't have to be perfect to be great" and "Teamwork is important", allowing both parents and children to learn from. By caring about their customers, LEGO have clearly demonstrated their CSR aims which allows them to have a better brand image and increase customer loyalty. Using movies in this way is an innovative approach to CSR. A sequel to the movie is planned as are other franchise themed movies, such as the LEGO Batman movie.

However, the movie didn't only receive positive reviews; there were comments from audiences that said it was a most anti-Christian film due to some of the characters and the symbolism in the story plot which upset some LEGO fans. This had caused some parents to prohibit the movie and the movie based toy sets from their children. As the firm has a global presence, it may want to try to consider further stakeholder groups to ensure it meets its CSR aims more thoroughly.

As the product range of LEGO toys expanded, the firm started to consider CSR in relation to the natural environment – its toys are mainly produced using plastics. In the summer of 2015, The LEGO Group announced research investment that looks to replace its iconic plastic bricks with pieces made from sustainable and environmentally friendly materials. If this were to happen, it will be a huge **innovation** for LEGO as they are using new materials that are sustainable whilst still producing sturdy LEGO bricks. With this innovation, LEGO may experience an even better brand image as they are being environmentally friendly. Nevertheless, in order for this innovation to happen, LEGO had spent more than 1 billion DDK for research. It could result in a large amount of capital being wasted if the research is not successful, which can lead to poor cash flow and lower profitability. Also rival toy manufacturers such as Mattel and Hasbro could use this opportunity to try to overtake LEGO's market lead position. However, with sales of over 15 billion DDK a year, this is unlikely to dent LEGO's finances.

Approaches to CSR, through innovation and globalization enabled LEGO to build a better brand image and reputation, which is a benefit for customers as they are purchasing highly desirable toys that have been produced responsibly.

Another stakeholder affected is LEGO's competitors. Innovation in a global market can be advantageous as it gives LEGO a competitive edge over its rivals; but of course competitors may copy this strategy to work harder to come up with more innovative ideas in terms of CSR.

In conclusion, LEGO has embraced the forces of innovation and globalization, leading to its success in managing and maintaining its CSR whilst growing and expanding rapidly. However, with the high costs required for innovation, and the uncertainties of the potential returns, it may cause cash flow problems for LEGO. The company's continued growth and popularity means that without effective CSR policies, LEGO will not be able to consider the needs of all its stakeholder groups.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

24. With reference to an organization that you have studied, examine the impact of globalization and culture on its growth.

The **growth** of a business can occur organically or through mergers or acquisitions with other organizations. In 2005, Lenovo, a Chinese computing company, acquired the personal computer division of IBM. Both globalization and culture have played a part in Lenovo's growth since this takeover took place.

An acquisition like this should lead to economies of scale for Lenovo, but in this case there were severe **culture** clashes. Business etiquette between the Chinese and American employees was very different, leading to lots of misunderstandings. This further resulted in inefficiencies and diseconomies of scale. Stakeholders, such as suppliers and employees could be affected by these communication problems, leading to poor working relationships. However, by 2010 the American and Chinese teams had learnt from their mistakes and were operating a successful multinational company, with Lenovo going on to acquire various other companies such as Medion, a German consumer electronics company that operates across Europe, the USA and Asia Pacific.

The acquisitions of IBM's PC division and Germany's Medion are good examples of **globalization** positively impacting on Lenovo's inorganic growth, which has ultimately led to the company becoming one of China's most significant multinational companies to date. Following the takeover, the decision was made by Lenovo's managers that the official language of the business would be English. This is because it is the endorsed business language in many countries across the globe and the decision to use a common language for the MNC will more likely result in greater efficiency gains.

However, it was not that straightforward for Lenovo. Immediately following the acquisition of IBM, it quickly became apparent that very few of the leadership team could speak English or had any experience outside of China. These strained working relations resulted in poor motivation which could lead to diseconomies of scale, impacting on the quality and output of Lenovo's products. If a large number of customers become dissatisfied, it could negatively affect the brand image.

That said, by 2014 Lenovo was classified fourth in the minds of shoppers in America in terms of brand awareness. As IBM was such a well-known global brand, Lenovo bosses decided to keep the IBM brand name on all its laptop computers for 5 years, in order to give customers reassurances but also time to get used to the Lenovo brand name. By 2010, the strategy had worked, with Lenovo becoming the world's fourth largest computer maker; it was perfect timing for the company to drop IBM and replace all its computers with the Lenovo brand name. Today, Lenovo is the world's largest maker of personal computers, based on sales volume, and annual revenues exceeding \$45 billion. The company has since diversified into smartphones, printers and televisions. This demonstrates the extent to which globalization has impacted Lenovo in a positive way, and that the company was able to overcome problems associated with growth.

Overall, it seems that the huge cultural differences between Lenovo and IBM hindered the inorganic growth of the company initially, because the organizational norms and values contrasted so significantly. This is often a problem for companies involved in external growth strategies on a global scale. However, Lenovo was able to capitalise on IBM's managerial expertise in the long term, resulting in highly successful growth, with a global brand which now spans across the world.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

25. Examine how change and culture have impacted on the training opportunities provided by an organization of your choice.

McDonald's is the world's largest fast food restaurant, serving around 68 million customers daily in 119 countries across 36,600 restaurants. **Training** refers to the betterment of workers through professional development opportunities. It includes staff induction, on or off-the-job training which are essential to McDonald's as the employees have direct communication with its millions of customers every day. To ensure a good experience for customers in a highly competitive industry, McDonald's provides a professional training program for employees.

Change refers to the willingness and ability to adapt and respond to varying internal and external factors in the business environment. One of the biggest changes that McDonald's has adapted to is globalization, as external growth has led to its rapid expansion around the world. McDonald's stressed that the same standards are met across their franchise restaurants around the world. Its standardized and systematic method of training managers worldwide has benefits and disadvantages. One of the main advantages is that this ensures the managers are equipped with the skills required to run the restaurant. It also means managers are using a similar approach meaning there is relative consistency between restaurants worldwide. This in turn ensures that diseconomies of scale associated with growth and globalization are reduced as communication and general operations should be standardized through its staff training program.

However, this does not mean the menus are identical. Changes are made to suit varying cultures and preferences in different parts of the world. Employees need to be trained accordingly; product knowledge is vital in this industry, for example. The training is vital for ensuring the productivity of McDonald's workers, their safety and their own level of morale. However, the need for some flexibility and diversity means that training is both time consuming and costly to pursue on a global scale.

Corporate **culture** refers to the norms and values in an organization. McDonald's, being a multinational company, needs to be aware of the different cultures and traditions in the numerous countries they operate in. The majority of McDonald's training is on-the-job, which means staff are trained by an existing member of staff while they are working. A new employee may observe burgers being cooked and how to use machinery for cooking French Fries and Apple Pies. McDonald's will have to ensure their training program, developed in the USA, is sensitive to cultural norms or are adapted slightly if necessary.

McDonald's also provides on-the-job training for new managers supported by courses and seminars at the company's National Regional Training Centres around the world. There are 4 key elements to the program, irrespective of regional norms or cultures: shift management, systems management, restaurant leadership, and business leadership (focusing on McDonald's corporate strategy). One of the main advantages is that this ensures the managers are equipped with the skills required to run the restaurant. McDonald's can then potentially increase customer satisfaction rates, which can then lead to repeat purchases and therefore an increase in profit levels.

It also means that there is better consistency between restaurants worldwide when managers use a similar approach. This is vital to uphold the corporate reputation of McDonald's. Furthermore, the managers would understand the aims and objectives of the business better. This in turn ensures that diseconomies of scale associated with growth and change are reduced as communications and general understanding of McDonald's operations should be standardized through this training program.

Staff also attend classroom-based off-the-job training sessions, where they complete tasks on quality, service and cleanliness – the mantra of McDonald's employees. The advantage of this training is that it makes sure that all employees understand the corporate culture and also the culture of the country that they work in. Understanding the culture can promote a better brand image for McDonald's. However, the trainers will not be able to conduct their own work whilst facilitating off-the-job training; thus it can prove to be expensive.

Stakeholders that are affected by the impacts of culture and change on training are employees and customers. Firstly, McDonald's employees have to be more flexible to changes which can be stressful which may potentially demotivate them. The CEO, Steve Easterbrook, will be keen to encourage motivation so he might identify that motivation will increase in the long term as training is rolled out. For customers, a well suited training system would mean that the employees would deliver a better service, adhering to the corporate culture, which could increase the customer satisfaction and improve their overall experience at McDonald's. However, there is also a disadvantage because the training can increase the overall costs to the business therefore may potentially increase the prices of McDonald's products.

Overall, McDonald's has adopted a training program which reflects changes experienced because of globalization and reflects the corporate culture of McDonald's, whilst being sensitive to national cultures.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

26. Examine how ethics and culture have impacted on the leadership style within an organization of your choice.

McDonald's is the largest fast food restaurant chain in the world, as measured by sales revenue. It is a multinational corporation that originated in San Bernardino, California. It has operations in 119 countries and enjoys annual sales of over \$25bn. This suggests that McDonald's has an effective corporate culture, although a lot of ethical issues have been pointed out by the media which contradict this. Therefore, the **leadership style** adopted at McDonald's plays a vital part in responding to these issues. When referring to leadership style, it means the approach taken by those at the top of the hierarchy, in order for the business to operate successfully.

Culture can be defined as what is considered 'normal' to an organization, such as the way that workers behave within the business. Corporate culture is largely based on the beliefs, values and attitudes of the management and employees. McDonald's corporate culture encourages learning (employee and organizational learning), people-centricity, diversity and inclusion. With these values in mind, McDonald's CEO, Steve Easterbrook, has adopted a democratic leadership style whereby he involves directors, managers and employees in the decision-making process. Part of its corporate culture is "inclusion" which this leadership style reflects by involving employees in decision making. One example is that McDonald's hires its own team of chefs to conduct market research and product development at its Hamburger University, in Oak Brook, Illinois. They come up with the receipts and make recommendations to add the best of these to their menus. However, a downside is that it delays decision-making.

Ethics are the moral principles that guide decision-making and business strategy. Morals are concerned with what is considered to be socially right or wrong. Unfortunately for McDonald's, ethical issues surrounding its business appear in the news frequently. In Brazil, the Food and Hospitality Workers Union has been looking issues including wage theft, poverty-level pay and mistreatment of pregnant workers at McDonald's. In China, the scandal of tainted meat has created a lot of negative press and has harmed the brand image. These examples contradict McDonald's corporate culture of people-centricity. Another, more worldwide example, was the release of *Supersize Me* – a documentary that showed the world the damage that could be done to someone who eats too much McDonald's. The presenter and producer, Morgan Spurlock, highlighted the link between McDonald's fast food and the obesity problems in the USA and beyond.

An autocratic approach to these crises will be more appropriate for the CEO to use because it is a more critical situation where the global brand image is at stake. However, a hard approach such as punishing the people responsible for such unethical behaviour could demotivate staff and make them resentful. Nevertheless, unless the CEO deals with such problems, unhappy customers will result in less profit for McDonald's. It would have taken the CEO to make the decision to withdraw Super Size portions from McDonald's menus.

It can be concluded that ethical issues have resulted in a change to the normal democratic style of leadership at McDonald's, to make sure the brand is not affected too badly. The corporate culture adopted by McDonald's, such as focusing on inclusion, means managers and directors, as well as the CEO, have adopted a democratic style most of the time.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

27. With reference to an organization of your choice, discuss how marketing strategies may differ in two cultures that you are familiar with.

McDonald's is a multinational company operating in more than 120 countries. It was established in California, USA back in 1940 and has grown to become one of the biggest restaurant companies in the world. This company has implemented different marketing strategies successfully in different cultures. In this essay, I will focus on the UK and India. **Culture** refers to the norms and values of a specific business, or in this essay a particular country. A **strategy** refers to a long term plan a business intends to implement in order to achieve its organizational goals.

In most parts of India, eating cows and pigs is legally prohibited. Indian people have a religious tradition of not eating these meats. McDonald's must gather information about different customs and cultures through its market research and chose to use an appropriate marketing strategy. In this case, "market orientation" was used. Market orientation is a marketing approach used by businesses like McDonald's that focus on making products that they can sell, by focusing on the needs of the market (their customers).

In India, McDonald's chose not to use pork and beef products, not even in their burgers, in order to meet the needs of their local Indian customers. This marketing strategy was a relatively low risk one as McDonald's had enough data showing that Indians would want food without pork or beef. Also, Indian employees at McDonald's would have been totally dissatisfied if they had to serve pork and beef, so they would be demotivated and less productive.

However, a market orientation strategy could compromise the brand as McDonald's is famous for its (beef) Big Mac and hamburger products. Another disadvantage of a is that the initial market research in overseas markets can be costly. McDonald's may need to spend a lot of money to figure out the tradition and needs of Indian customers, i.e. what they would prefer to eat instead. There is then the product development costs that follow. Still, had they not taken a market orientated approach, a lot of ethnic groups in India would have been enraged, so consideration of the local culture meant the reputation of McDonald's was not harmed.

McDonald's uses a different marketing strategy in the UK. As beef is highly demanded in UK culture, beef products are widely advertised on television. In one particular TV advert, McDonald's showed a farmer (supplier) discussing the high quality of the beef he supplies to McDonald's by giving his cows decent living conditions. This approach will be very effective and acceptable to UK customers who are happy to know where the products are sourced from, especially if they are of high quality. Humour was a key feature of the advert, localized to suit the tastes of the British public. The same advert would not appeal to viewers in India with different perspectives on what is deemed to be entertainingly funny.

Nevertheless, McDonald's is fully aware that there is a large Indian population in the UK, who may be offended by such promotions. Still, McDonald's is meeting the needs of a large proportion of the UK market, and British Indian customers who do not consume beef or pork may choose other McDonald's products such as chicken or salads. They cannot meet everyone's entire needs. So it can be said that the promotional strategy used in the UK is effective as they are considering the cultural norms and values of the British public.

In conclusion, McDonald's uses a marketing strategy of market orientation to sell their products successfully in India. However, due to cultural differences the marketing strategies they have used in the UK are different. Through the knowledge of the cultural differences, McDonald's has adapted strategies effectively in both countries.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

28. With reference to an organization of your choice, examine how ethics and globalization have impacted on its sources of finance.

Nike is a well-known multinational corporation, dominating the sports apparel industry, including footwear, accessories and equipment. At the end of the 2016 financial year, the value of the company was over \$98 billion. Globalization and ethics have had both positive and negative impacts on Nike's choice and use of **sources of finance**. This refers to the internal and external finance available to a business for purposes such as revenue expenditure, capital expenditure and expansion.

When raw material prices rose in the 1990s, Nike's production line was offshored to Indonesia, China, Pakistan and Taiwan. This was possible through **globalization** which is the growing integration and interdependence of the world's economies, allowing businesses to trade internationally more easily and causing consumers around the globe to have increasingly similar habits and tastes. For Nike, offshoring enabled costs to be cut significantly, causing profit margins to rise. However, it was found that there was an issue with the low wages being paid by Nike to its overseas workers, especially in Indonesia where workers were only receiving 14 cents an hour, which was actually less than the country's minimum wage at that time. As a result, Nike faced unrelenting criticism from the media and human rights activists. For its unethical behaviour. This had a temporary but significant impact on its sources of finance, as some banks refused to fund Nike's operations as it sought to grow in an ever-more globalized world. Still, the case suggests that Nike was taking advantage of globalization and its ability to operate in less developed countries.

The benefits of globalization are still significant for Nike. The company benefits from cheap labour abroad (as the minimum wage in the USA is significantly higher per worker per hour). It also reduces Nike's distribution costs to markets in Asia and the Middle East. This reduces the need to rely on additional sources of finance as costs are lowered. Nike has also continued to capitalize on the global craze for football, sponsoring major events (like China's Super League) and football clubs (like Barcelona and Chelsea). Although this cost them a lot of money (£900m in the case of sponsoring Chelsea Football Club), the publicity that comes with this ultimately generates more sources of income for Nike.

Ethics are the moral principles that guide decision-making and business strategy. Morals are concerned with what is considered to be right or wrong, from society's point of view. Nike's mistreatment of workers in Indonesia was not the only case reported in the news media. The infamous 1996 Life Magazine publication that featured a photograph of a young Pakistani boy sewing together a Nike football for just six cents an hour shocked the world. Children as young as three years old, who hadn't naturally mastered the use of scissors, were found to be working with their parents in Nike's factories in Pakistan. When this information was revealed, Nike's CEO at the time, Philip Knight, was found to have lied to shareholders and that workers were not being mistreated. Shareholders and pressure groups were not best pleased when further reports suggested that workers were being abused in the factories, with supervisors throwing shoes at staff who were unproductive – there was even a reported case of a worker being bashed on the head with a Nike shoe in Indonesia.

Moreover, it was found that around 30% of Nike's total operational costs in Indonesia went to Indonesian generals, government officials, and cronies as payoffs. The bad publicity about Nike's unethical practices meant that many shareholders decided to sell their shares; partly because they did not agree with Nike's practices, but also partly in anticipation of Nike's share prices falling. This meant other potential investors, including banks, lost interest in Nike and decided to invest in other companies, resulting in Nike losing an important source of finance.

These so-called "Nike sweatshop factories" haunted the company for over 10 years and knocked shareholders and investors' confidence. This again impacted the firm's two major sources of finance, share capital and loan capital. It also meant smaller dividend payments for each existing shareholder. However, over time, Nike was able to rebuild with the current CEO, Mark Parker who took over in 2006, placing ethics as a major part of the company's growth strategy in a global market. For example, he set up the Corporate Responsibility and Sustainability Committee. This committee makes recommendations to the Board of Directors, and is responsible for investigating sustainability (including labour practices), community engagement and charitable activities. One strategy that came from the committee is Nike's commitment to using a carbon-based dyeing process that dyes garments without using water, thus reducing energy usage and waste. In 2015, Nike published its first version of a CSR report, which included details of pay scales and working conditions in its factories.

In conclusion, globalization and ethics have impacted greatly on sources of finance available to Nike, namely the ethical scandals of exploiting overseas workers having a major impact on its share capital and loan capital being reduced significantly. However, CEO Mark Parker, who recently celebrated being in charge of Nike for 10 years, has made a huge effort to ensure the ethical position of the firm has improved, whilst still taking advantage of globalization. This means Nike's shareholders are mostly satisfied with the way the business is operating today, especially as its share price has grown steadily (by about 350%) in the past 10 years.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

29. With reference to an organization of your choice, examine the influence of organizational culture on business ethics.

Fairprice is a form of social enterprise. Founded in 1973, Fairprice is a retail co-operative with network of more than 160 outlets in Singapore. A co-operative is a non-profit organization as its main focus is to create value or benefit for its key stakeholders, the members of the co-operative, by providing goods or services at cost-price. Fairprice was founded by the labour movement to represent workers and its mission is to provide, customers with the best value, quality products and excellent service. Its mission has a huge impact on organizational culture and this influences Fairprice's business ethics.

Culture refers to the values, beliefs and customs of people and organizations. The corporate culture at Fairprice is shaped by its aim to carry out certain social objectives and responsibilities, based on helping the local community. Fairprice values its members and looks after their interests as a priority. It has all-inclusive corporate culture with no discrimination in its recruitment policies. For example, it helps ex-convicts and former drug addicts to find employment and to re-integrate into the society. However, for the majority of the Singaporean people, the issue of ex-convicts remains a social taboo and it is still a long way for a general social acceptance of Fairprice's practice.

Ethics refers to the socially accepted moral principles that determine business decision making. Fairprice's business ethics is based on protecting the welfare of its worker-members and contributing any surplus back into the local community. Fairprice abides by an ethos of "individual member comes first", which has helped it to establish a positive brand image and customer loyalty. For example, Fairprice's business ethics include care for the elderly. It offers a Seniors Discount Scheme to senior citizens above 60, who enjoyed a 2% additional discount every Tuesday. Each member also accumulates points from their purchases which can be redeemed for certain household items. Thus, Fairprice's uses market segmentation, targeting various segments with discounts. Although Fairprice acts ethically, there are challenges in finding suppliers who have good ethical practices.

Fairprice's corporate culture and ethics are intertwined, with Confucian values of benevolence. Its leaders are paternalistic and perceived as providers of their people's welfare. Unlike its profit-driven competitors (such as Cold Storage, Giant, Jason Marketplace, Isetan and Shop N Save), Fairprice has cut prices on over 400 grocery items. This pricing strategy helped worker-members pull through during the recent economic downturn in Singapore. In July 2016, Fairprice launched new retail format, called FairPrice Shop for lower income groups, offering a smaller but more affordable range of products. For example, the fresh vegetable products in this range are 5% to 10% cheaper than Fairprice's main competitors. This ethical practise will have a positive impact on lower-income customers.

Fairprice's focus on ethical behaviour and its benevolent culture have proved to be highly successful. Today, it is Singapore's largest supermarket chain. Since Fairprice is less profit-driven, its prices have proven to be really attractive, making it difficult for other retailers to compete. In fact, Fairprice is so successful that French hypermarket giant Carrefour pulled out of Singapore after 15 years of operation.

In conclusion, there is a strong influence of Fairprice's organizational culture on its business ethics such as employment practices and pricing and promotional strategies. Fairprice's organizational culture in turn is shaped by its social objectives for protecting the welfare of its stakeholders. Fairprice's perseverance in pursuing these social objectives even in difficult economic times has become its unique selling point. Fairprice's ability to drive out competitors, intentionally or otherwise, despite being not a profit-driven business organization could be a model for others.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

30. With reference to an organization of your choice, examine how culture has impacted its marketing strategy.

Culture refers to a set of shared values, beliefs and social practices in an organization and **strategy** refers to a set of action plans to achieve the long-term goals of the organization. The impact of organizational culture on the marketing strategy of Ocean Park, a not-for-profit marine-based theme park located in Hong Kong, is discussed in this essay. The **marketing strategy** refers to the process of conveying a firm's marketing goals and actions in order to achieve a competitive advantage. It entails the management of the organization's services, pricing and promotional strategies.

Ocean Park (OP) relies on an effective marketing strategy to provide services that meet the anticipated needs and wants of its customers. The marketing strategies should also be dynamic and responsive to external changes. The 1997 financial crisis led to 4 consecutive years of losses for the OP; the timing couldn't have been worse as the government had announced plans to introduce a Disneyland theme park in Hong Kong to stimulate the local economy by 2005. Many people thought the opening of an internationally established competitor, owned by the largest entertainment company in the world, would be the end of OP. However, OP modified its marketing strategy based on its organizational culture to turn the deficits into profits, and to take on the might Walt Disney Company.

OP knew that direct competition with Hong Kong Disneyland (HKDL) would be disadvantageous. Instead, it revised its marketing strategy to focus on its original corporate culture of 'edutainment'; a combination of education and entertainment. This cultural influence enabled OP to retain its marine and wildlife attractions which complement its amusement rides, and furthered its additional services of educational tours and lessons regarding natural conservation. The preservation of OP's 'edutainment' culture allowed the company to differentiate itself against HKDL. As OP's Marketing Director, Mr. Paul Pei, said "we have real mice; the other theme park has a fake mouse!" Something that OP can do, based on its culture, is to add value to their customers through educating them about marine life and nature conservation. This is different from HKDL's offerings of a fantasy experience.

OP is HK born and bred, so HK life and culture is ingrained in its marketing strategy. Hence, its marketing strategy has focused on Hong Kong to appeal to tourists and local citizens; again the HK culture is something that Disneyland cannot really tap into. For example, since 2007, OP has allowed free entry to any HK citizen in possession of a Hong Kong permanent identity (HKID) card on their birthday. This marketing strategy affirmed OP's corporate culture of solidifying its role as the 'theme park for Hong Kong citizens'. In addition, anyone aged 65 or over with a permanent HKID card gets year-round free entry into OP. According to Paul Pei, this strategy has created incentives for many more HK citizens to visit OP, and has led to an increase in overall visitor numbers. Although he is not remunerated by commission (as OP is a NPO), the increased number of visitors is good for his own job security, self-esteem and morale. After all, he is the Director of Marketing so should be credited for his efforts in turning around the organization.

Ocean Park is a non-profit organization, owned by The Hong Kong Jockey Club (HK's largest charity). Hence, its organizational culture dictates that admission prices must be approved by the government to ensure that OP's pricing schemes are in the best interest of its primary target market – local HK citizens. At the time of writing, OP's one-day pass is much lower at HK\$385 compared to HKDL's price of HK\$539, offering better value-for-money for its customers. In addition, OP boasts 80 attractions, compared to HKDL's 45. Hence, it is clear that the organization culture of OP has directly impacted its marketing strategies.

However, there are some contradictions to what Mr. Paul Pei claims about OP being “all about Hong Kong” and its new corporate slogan “Love Hong Kong, Love Ocean Park”. OP's Halloween Bash (which adopts a western culture) is one of the theme park's largest revenue earning events of the year. Although the marketing strategy is modified to cater for the local community (such as using Chinese ghosts and famous actress Helena Lan in television adverts to promote the event), it is an event largely based on Western societies, rather than an authentic Hong Kong attraction. Another marketing strategy that suggests OP is not entirely about focusing on its culture is that many of their adverts are now similar to Disneyland's, with a greater emphasis on their thrill rides and roller coasters; there has been a noticeable reduction in the focus on its aquaria and pandas. Similar to HKDL, Ocean Park is in the process of having two hotels being built by the Marriot group. Paul Pei used to work in the hotel industry, so it is perhaps not a surprise that HK's home-grown theme park has moved in this direction (not necessarily because of its organizational culture).

In conclusion, the concept of culture has overall proved to be instrumental in Ocean Park's marketing strategy and to successfully overcome the threats it has faced. Culture is embedded in OP's marketing strategies, such as its 'edutainment' (targeting schools about its education and nature conservation programmes) and giving back to the HK community. This has resulted in a successful turnaround for OP which not too long ago was not far from permanent closure. Its unique selling point is Hong Kong and HK culture. It is widely reported that OP has more visitors than HKDL.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

31. With reference to an organization of your choice, discuss the importance of ethics can influence innovation.

One of the organizations that I have studied is Orrick, a global law firm established in San Francisco, California. Orrick was started as a partnership by Jarboe and Goodfellow in the early 1900s. A partnership is defined as a profit-oriented business owned by 2 or more individuals. Today, Orrick has grown to become one of the top 20 leading global law firms with offices in Asia, Europe and North America.

Providing professional legal services to clients requires strong ethics. **Ethics** in business is defined as the moral considerations and integrity behind every decision a business makes. This is especially applicable to Orrick as the partners and employees owe a duty of care and confidentiality to its clients. Orrick has to comply with the Model Rules of Professional Conduct, crafted by the American Bar Association (ABA). Lawyers are practitioners of the law and uphold honesty, fairness and justice. Thus there is a moral obligation of lawyers to ensure the highest standards of ethical conduct.

While clients are the most important external stakeholder group for Orrick, they frequently face ethical dilemmas while providing legal advice and services to their clients. These problems could involve dealing with general misconduct or illegal deeds. For example, it is not uncommon for some wealthy clients to request for unlawful transactions, such as opening of shell companies for tax evasion and money laundering purposes. In 2016, a whistleblower from Mossack Fonseca, a Panamanian law firm, leaked 11.5 million documents that detailed confidential client information in thousands of offshore business organizations. The *Panama Papers* revealed how some transactions were used for illegal purposes, including fraud, money laundering and tax evasion. Thus, to Orrick, an advantage of ethical practices would be the goodwill built up from its clients and the reputation and confidence of key stakeholders from the local communities in which they operate. Acting ethically and with integrity means Orrick can avoid disciplinary actions and law suits of its own.

Innovation to Orrick would refer to creating new, original sources of revenue based on changes in the industry and changing demands from its clients. Ralph Baxter, the Chairman of Orrick, identified 5 key sources of revenue: provision of services, energy and infrastructure, finance, intellectual property and litigation. However, the legal framework and ethical obligations often mean the innovation is hindered by ethics. Still, even law firms need to innovate in order to prosper over time. For example, Orrick implemented an innovative “talent model” for its employees. This program enables Orrick’s employees to be better appraised using a merit-based advancement framework. To an individual employee or partner at Orrick, this would motivate him or her to be more committed at work (due to the potential financial rewards). This would ultimately lead to higher returns (remuneration and bonuses) for Raph too.

The purpose of innovation for Orrick is to continuously create unique services for its clients that differentiates it from other law firms. However, this has to be done in such a way that actions are ethically sound in order to preserve the corporate image and sustainability of the organization. With over 1,100 lawyers across 23 different countries, establishing a corporate culture of always acting ethically, has a direct impact on the state of innovation at Orrick. In today's highly competitive legal industry, clients are more cost-conscious, value-focused and knowledgeable. This is particularly the case for one of its largest customer groups – companies in the high-tech industry.

Although the marketing practices of law firms are restricted by regulations in most countries, this does not prevent Orrick from being innovative with its branding, customer loyalty programmes and product differentiation. However, the cost of innovation is high as Orrick has to continually spend money on market research (such as varying intellectual property rights in different countries) and the upgrading its IT systems.

In conclusion, ethics plays a major role in influencing innovation at Orrick. In the ever competitive world economy, businesses need to innovate in order to gain competitive advantages and survive, and this applies even to traditional professions such as law firms. However, there are always grey areas in terms of ethical obligations for law firms, especially when dealing with very wealthy clients.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

32. With reference to an organization of your choice, examine how product differentiation is used as a strategy in response to change.

OSIM International Limited was established in 1980 by Ron Sim, founder of the Singaporean household products and electronics firm. However, with a limited domestic market in Singapore, OSIM sought strategic approaches to expand in new markets such as Indonesia, Malaysia and Taiwan. Today, OSIM has grown into a global leader in healthy lifestyle products, such as massage chairs. **Change** refers to how a business, such as OSIM, adapts to suit variations in the internal and external business environments. For OSIM, changes in lifestyle and demographics indicate that consumers in Asia are getting wealthier, especially in China. Market research indicated that the rising middle class will continue to demand innovative healthy lifestyle products, which has led to OSIM's healthy profits.

To cater for a growing global market, OSIM has adapted well through product differentiation. **Product differentiation** refers to how a business is able to make its products stand out from those of its competitors. In response to changes in lifestyles and the growing emphasis in wellbeing, Ron Sim has emphasized the need to continually develop innovative and quality products to encourage healthy living. Its branding and promotional strategies have been highly successfully in making OSIM stand out from its competitors and make it a global leader. According to the CEO, Ron Sim, OSIM is positioned positively as being a luxury, high quality brand of healthy living electronic products. As part of its strategy, OSIM focuses on developing high quality products using elegant designs, enabling it to differentiate itself from its rivals. A **strategy** is a long-term plan by an organization to achieve the goals set by senior decision makers.

OSIM has consistently won internationally-acclaimed prestigious awards for its designs and products such as its uVenus, uSpace, and uScale BF massage chairs. The endorsements of OSIM's outstanding product design and high quality are major features of its marketing strategy to further differentiate itself. OSIM has therefore gained the advantage of brand recognition and customer loyalty. Riding on the strength of its brand, OSIM was able to weather the global financial crisis in 2008 as sales were stable, thus pleasing OSIM's employees (job security). In fact, the company has grown further with more than 590 OSIM outlets in Asia, Africa, Europe and the Middle East today.

Another advantage from its product differentiation is that OSIM is able to meet changes in consumer preferences. Today's customers (external stakeholders) expect more from their lifestyle products and look for a more enjoyable shopping experience. OSIM's products are showcased in their retail outlets with sales staff trained to provide each customer a personalized service. For example, customers can try all of OSIM's in-store products in a comfortable and non-hassle environment. Some stores now have new VIP massage chair rooms, targeted at loyal customers who can enjoy a good massage in an OSIM massage chair in total privacy and luxury. This also allows an individual customer to feel empowered and special. Thus, through its successful differentiation strategies, OSIM is able to command premium pricing on its products, especially as consumers (according to Ron Sim) prefer OSIM products for its superior brand, quality and innovative technologies.

However, despite the success of its product differentiation, OSIM has attracted a number of competitors, such as Ogawa and Oto. Although these are price followers, there have been other cases of rivals launching fake or counterfeit versions of OSIM's products in China (its fastest growing market). News about quality issues with the counterfeits generated bad publicity for OSIM as consumers could not clearly distinguish them from authentic OSIM products. In addition, the first-mover advantage from product differentiation is short-lived as other local competitors such as SINOMAX come up with similar quality massage chairs but with more features and at lower prices. This may advantage some consumers as they have access to more choices of quality lifestyle products.

Another limitation of product differentiation is that it is very costly. To distinguish itself as a premium brand, OSIM uses high profile celebrity endorsements at the center of its marketing strategy. For example, Asian celebrities such as Andy Lau, Sammi Cheng, Gong Li, Lin Chi Ling, S.H.E, Liza Wang and many others are used as celebrity endorsements to create an impression that its products are befitting for divas and superstars. In addition, there is a constant need to spend on new product development of its lifestyle products. This could be a drain on OSIM's resources as it has to continuously invest in R&D to differentiate itself from its competitors. This could harm the returns paid to managers and directors (bonuses) and shareholders (dividends), as not R&D spending generates profit for the firm.

In conclusion, product differentiation has been a highly successful strategy for OSIM. As a key marketing strategy in response to changes in lifestyle and the growing affluent groups across China and other countries, OSIM has used product differentiation strategies to establish itself as a premium brand. Its continued success depends on how it continues to innovate itself. However, this comes at a cost and has implications to various stakeholders.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

33. With reference to an organization of your choice, examine the importance of innovation and globalization in operations management.

Most famous for its Indomie brand of instant noodles, PT Indofood CBP (Indofood) is one of Southeast Asia's leading food and beverages manufacturers. Its diverse consumer branded products includes noodles, dairy products, snack foods, food seasonings, beverages, and specialty foods. **Operations management** refers to production processes of ensuring the right goods in the right quantities meets consumers' expectations and needs.

Being a well-established household brand, Indofood has a large market share. It strives to continuously innovate, focusing on consumers' needs by improving processes and technologies. In fact, continuous innovations in Indofood's operations management are critical success factors in transforming Indofood to become a globalized brand. Its products are sold across America, Africa and Australia. To satisfy its customers, Indofood's continuous innovation with a strong focus on consumer needs allows it gain a competitive advantage over its foreign competitors from Japan, Taiwan and China.

Innovation refers to businesses initiating improvements and finding new ways to gain or remain competitive. Indofood's continuous innovations aim to create contemporary style and visually and tastefully appealing foods, and to deliver strict hygiene and long-life protection to its customers and workers alike. Indofood adopts the latest technologies to meticulously guard the quality of its packaging in its production processes. For example, Indofood's innovations in printing, lamination and slitting processes create high-quality packaging and increased production efficiency. This enables Indofood to cater for the growth of its existing customer base while attracting new customers in order to increase its sales revenues. Hence, the innovative operations management processes have resulted in higher dividend payouts to its shareholders.

Globalization refers to the growing interactions and integration between the people, firms and governments of different countries. With the integration of regional markets, globalization presents many expansion opportunities for Indofood. Being a member of ASEAN, a large trading block of South East Asian nations, goods originating from Indonesia enjoy a preferential tariff rate of 0-5% under the Common Effective Preferential Tariff (CEPT) scheme. Hence, Indofood gains price advantages compared to firms from non-member countries when exporting to customers in ASEAN member states such as Malaysia, Thailand, Vietnam and Cambodia.

Globalization brings about more choices for consumers around the world. With larger operations around the world, Indofood benefits from huge economies of scale, which can result in lower prices for customers. However, the biggest threat of globalization is that it has increased the amount of competition, such as Nissin's Cup Noodle (from Japan) and Nestle's Maggi Mee (Switzerland). Hence, its continued pursuit of innovation in packaging processes, for example, goes beyond the basic function of product protection.

Another impact globalization has on operations management is ensuring quality assurance issues. Indofood needs to comply with the different laws in the countries in which they operate. In 2015, Maggie noodles (one of Indofood's rival products) were banned in India due to concerns of excess levels of lead in the product as evidenced by several major Indian states which had carried out the tests. Negative publicity like this could also have an impact on Indofood's Indomie noodles as customers might think the same of all instant noodle brands. Indofood's CEO, Anthoni Salim, has a moral and legal duty to ensure that strict food and safety standards are met worldwide. With their products sold all over the world, the CEO has to ensure the company's operations management follows the standards and regulations set by The National Agency of Drug and Food Control and other international bodies to ensure Indofood products are safe for consumption. Indofood is also certified by ISO 9001 and ISO 22000, but this means higher costs due to the processes needed to meet such strict standards.

In conclusion, innovation and globalization are important concepts that affect Indofood's production or operation management in different ways. It has to be more innovative to remain competitive in an ever globalized world where consumers have more choices as producers are plentiful.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

34. With reference to an organization of your choice, discuss the extent to which globalization influences human resource strategies.

Globalization refers to the integration and interconnectedness of the world's people, customs and businesses as a result of increased trade and cultural exchanges. It is an important concept to businesses such as Riot Games (RG) as it plays an instrumental factor in decision-making processes with regard to growth and hence its HR strategies. RG is a direct-to-consumer video game developer and premium online competitive games. RG launched its debut title, League of Legends (LOL), a multiplayer online battle arena (MOBA) game, in October 2009. RG's emphasis on providing a unique experience to each individual player, rather than focusing on sales revenues, has made it the market leader with 66% of the global MOBA market. LOL is a free game and RG's revenue comes from in-game purchases (spending). More than 100 million gamers around the world play LOL each month, logging more than half a billion minutes of playtime. LOL earned \$1.6 billion in revenues for RG last year. In-game spending is growing as more players around the world become accustomed to the free-to-play platform. RG's domination of the MOBA market is also indicative of its sound human resource strategies.

Human resource strategies refers to the processes of predicting and meeting an organization's current and future staffing needs. It includes consideration of long-term workforce planning decisions in order to achieve organizational goals. RG's talent acquisition has included the need to hire gifted employees from overseas. In fact, RG has been named in *Fortune's 100 Best Companies to Work For* list for two consecutive years and was ranked 39th in 2016.

The impact of globalization presents a big challenge for RG's HR Director, Jay Moldenhauer-Salazar. He attributes RG's success to the company's desire to attract, develop, and cultivate entrepreneurial teams who prefer action over processes and bureaucracy. RG mandates the use of a decentralized organizational structure by function, such as production, finance, brand management, merchandising, player support (customer service) and R&D. In a decentralized structure, decision-making and responsibility are shared with others and department heads are empowered to make decisions.

Advantages of having a decentralization HR strategy include input from its experts and talented employees, and faster decision-making. For the employees, this improves moral as they feel more valued and trusted with decisions, e.g. animators and visual art designers are more inspired as they can use their creativity without the need to get art work approved by Brandon Beck, the company's CEO or RG's board of directors. This does mean that Brandon and the BOD may suffer a loss of control, however. On the other hand, decentralization is associated with increased costs through better pay packages and rewards for the employees, and there is a need to ensure effective communications in decentralized organizations. The strategy seems to work for RG though as it is known in the industry for having loyal workers and a low labour turnover rate.

Another result of globalization is that RG has had to operate several key servers in North America, South America, Europe and Asia, so RG's HR strategy includes the use of overseas staff. Due to the need for global communications in different time zones, RG offers workers paid time off (PTO) to provide support for its employees to balance family and work. To cater for the different time zone, RG's offers flexible hours to its employees. This is important as RG deliberately recruits the best talents, so empowering them in a global and competitive industry makes total sense. For employees, they have the autonomy to get on with their work, subject to meeting deadlines of course. The disadvantage of this HR strategy for Jay Moldenhauer-Salazar and Brandon Beck is the limited control and co-ordination of RG's employees. Quality assurance is somewhat trickier perhaps in a decentralized organization that requires consistency in the computer animation artwork and stability of its gaming servers.

In conclusion, globalization has a major influence on RG's human resource planning and strategies. To meet the demands created by globalization, RG structures its business by function and has enhanced its overseas recruitment through work family friendly practices. RG's HR strategies have both positive and negative implications to respective stakeholders from employees, department managers, Moldenhauer-Salazar and Beck.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

35. With reference to an organization you have studied, examine the impact of strategy and change on its objectives.

Samsung was founded in 1938. As South Korea's largest company, it produces a huge range of products including home appliances such as TVs, refrigerators, and washing machines as well as cameras, smartphones and tablet computers. Sales of smartphones are a major source of Samsung's revenue streams. One of Samsung's **objectives** is sales growth as declared in its annual statement "to achieve annual sales of USD 400 billion by 2020" (which is a staggering \$95 billion more than its global sales last year). Another of its objective is "to have overall brand value among the global top 5".

Samsung embraces changes quickly in order to meet its objectives. **Change** refers to adapting to internal and external factors that impact on an organization's operations. Samsung is good at learning from its competitors and making changes quickly to make sure they it remains an industry leader by continually meeting the needs of their customers. For example, when the first version of iPhone came out, Samsung launched its smartphone "GalaxyS" with similar designs and functions but tapped into a major demographic change – it was no longer the young who bought smartphones but the older generation who needed larger sized phones (which Samsung supplied, but Apple ignored). As a result, the "GalaxyS" gave Samsung increased global brand awareness.

However, this strategy was heavily criticized by Apple who claimed that Samsung had copied its 'Slide to unlock' technology and for making their phones look too much like the iPhone. This resulted in a court ruling with Samsung losing a high profile case in the USA. Still, the strategy ultimately worked in Samsung's favour as its smartphones became Apple's biggest rival. Global sales increased and brand awareness improved.

Samsung's **strategy**, which refers to its long term plans to meet its aims, is to produce a variety of devices to meet the wants and needs of a global consumer market. Its strategy includes research and new product development. Unlike Apple, Samsung is receptive to market research to inform its business strategy. For example, its market research showed that consumers wanted a smartphone with a high-end camera so they would not need to carry two devices (digital camera). On the other hand, Apple innovates first, preferring to take a product oriented strategy whereas Samsung uses a market oriented strategy to meet objectives. The Samsung Note is another example. Samsung found through market research that Asian-language speakers in particular wanted a device that they could hand-write on, because drawing characters is easier with a stylus pen Samsung reacted quickly and produced "The Note" – a combination "phablet" (phone + tablet) that has been an unexpected huge hit for Samsung.

A disadvantage of Samsung's strategy is that its smartphones and phablets are still not regarded as innovative as Apple's iPhone, so perhaps they do need to take more risks. Apple's CEO Tim Cook has put a bigger dent in Samsung's direction by launching larger phones, starting with the 6S Plus, and now the 7 Plus. Moreover, Samsung's strategy mainly aims to meet the market's needs rather than innovation to cater for change or to initiate changes in the market.

To conclude, Samsung has embraced change and business strategy to ensure its products meet the organization's objectives of increased sales and its global brand awareness. Changes in the market for smartphones, which no longer serve as just phones but multi-purpose devices, have increased sales and brand awareness for Samsung, which ultimately helps it to achieve its objectives. Shareholders will be happy with the overall performance of the company as brand value, share value and return on investment have all grown. However, Samsung's perceived strategy of imitating Apple's products and technologies has caused some problems, including damage to its brand image as being less innovative and proactive to change. Some members of the public casted doubt on Samsung's ethical practices as a result of this. Still, with overall sales of \$305 billion last year, Samsung's strategies are effective overall, and it is on target to reach its objective of \$400bn of sales by 2020.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

36. With reference to an organization of your choice, examine the influence of culture and ethics on different stakeholder groups.

Shangri-La Asia Limited (SAL) is a multinational hotel company owned by the Kuok Group, founded by Malaysian Chinese businessman Robert Kuok in 1971. The Group attaches much importance to the concepts of ethics and culture, which in turn enhance the overall profitability and reputation of the Group. The Group's corporate culture and business ethics create positive impacts on its various external and internal stakeholders, which will be examined in this essay.

External stakeholders include the suppliers, governments, shareholders, customers, environmental activists, hotel critics in the mass media and financial creditors. The internal stakeholders refer to SAL's employees, managers, the CEO and CFO, the board of directors and the company's Chairperson.

Culture is defined as the way and philosophy that SAL operates, i.e. how and why things are done in the way they are. The culture is realized in its planning, decision-making and strategy implementation. SAL's organizational culture means that the company's values and heritage over the past 40+ years influence how a manager leads and what employees focus on and how they work. Kuok was inspired by James Hilton's novel *Lost Horizon*, which envisioned to provide serenity and quality service for which the Group's hotels and resorts have become synonymous with (the name Shangri-La was a mythical place described in Hilton's 1933 novel). The Group identifies its own culture as Asian hospitality (the company is headquartered in Hong Kong and opened its first hotel in 1971 in Singapore), with its motto "pride without arrogance". It endeavors to serve with pride while remaining humble. The impact of strong Asian values, also influenced the CEO to show a paternalistic style of leadership. The current CEO is Beau Kuok, one of the sons of founder Robert Kuok. The advantage of this style of leadership is employees feel a sense of belonging and being looked after. However, there is not much room for decision making by employees in more junior positions.

The 5 core service values of SAL, embedded in its corporate culture, are respect, humility, courtesy, helpfulness and sincerity. These have positive impacts on SAL's customers and hotel critics because these external stakeholders receive quality services so are more likely to visit the hotels again. Moreover, having a good reputation enhances the Group's profitability, so internal stakeholders such as employees and managers also benefit by having a better job security, career progression opportunities and bonuses. The Kuok family strongly believe that a culture containing these core values ensures the Group have never had to downsize their workforce, not even during the Asian financial crisis of 1997 and the more recent global financial crisis in 2008.

Ethics, in the context of business management, is defined as the moral decisions and actions taken by the Group. This is shown by SAL's unflinching efforts to promote sustainability and preserving the natural environment. For example, SAL managed to reduce 20% of its carbon footprint intensity and 15% of its water footprint by 2015 based on the levels set back in 2010 despite having expanded their business.

Successfully curbing its average energy consumption in this timeframe means SAL has committed to ethical practices towards its various stakeholder groups such as pressure groups (environmental groups), local governments and the many communities in which they operate across the world. Furthermore, SAL purchases food produce from farmers, herders, butchers, and other producers who work with respect for the environment and the ecosystem. This suggests that SAL does not aim at profiteering in the short term at the expense of the environment in the long term. In fact, some would argue that ethical practices actually reduce the operation costs in a sustainable way, such as by avoiding fines imposed by the governments in the case of breaching any environmental ordinances. As a result, shareholders could gain from SAL's higher profitability in the future.

In conclusion, SAL's strong organizational culture and ethical business activities ensured a win-win outcome for its external and internal stakeholders. SAL has made substantial efforts to protect the natural environments in which it operates, and taking social responsibility for its stakeholders. The company's five core values have reinforced SAL's prosperity and helped to maintain goodwill of customers, financiers and suppliers to last into the future.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

37. With reference to an organization of your choice, examine how change and culture have impacted on conflict and conflict resolution.

In 2005, BenQ, a Taiwanese electronics firm acquired Germany's Siemens' struggling mobile phone division. At the time, Siemens's mobile phone division was making a huge loss, so it was a risk for BenQ to go ahead with the takeover. The takeover meant that BenQ-Siemens became the sixth largest mobile phone company in the world. Furthermore, as with any acquisition, there were additional conflicts, which had to be dealt with. These were namely due to the diversity between the German and Taiwanese cultures, language barriers and resistance from German employees.

Culture is the formed norms and values of an organization and therefore affects the way a business works and behaves. Having a strong corporate culture is beneficial to individual organizations, but this also creates problems during an acquisition. In this case, **conflicts** (i.e. the opposing interests of individuals and groups) are triggered because BenQ's and Siemens' cultures clash. Founded in 2001, BenQ has a collectivism culture, with a much flatter organizational hierarchy than Siemens' individualism culture. In Taiwan, society is rooted in Confucianism and organizations are expected to look after employees, rather like a family and to defend their interests. Therefore, being a Taiwanese company with over 100,000 employees, BenQ prioritizes employee and employer relationships and teamwork. On the other hand, Siemens' individualism culture means the business is made up of self-driven individuals rather than a big family. Whether a person has accomplished his or her job is more important than group interests. This difference in corporate culture resulted in conflict between employees and it may be one of the factors which resulted in the ultimate failure of the acquisition.

However, despite the conflicts that culture clashes can bring following an acquisition, the larger company is able to gain greater economies of scale and widen its target customers. In this case, BenQ was able to gain knowledge about and target a wider range of customers, despite the two distinctive cultures.

Change is an inevitable factor in the dynamic business environment, but often leads to conflict due to misunderstandings. This concept can refer to change in staffing, change in members of the Board of Directors, or even a change in the company's structure. It can come as a result of both variations in the internal and external business environments. One of the advantages of this change (i.e. the acquisition), is that it helps enrich the product knowledge that BenQ has, i.e. the mobile phone market. As a result, potential customers may be attracted and existing customers are better served. This could then lead to higher profits for its owners (the shareholders) in the long run. However, drawbacks exist. The takeover made a large number of staff reluctant to work productively as Siemens' employees felt they were deceived and betrayed by the German executives and had no trust in BenQ. The resulting labour inefficiencies and distrust caused job losses for many workers. They made conflict resolution much more difficult for BenQ.

From the perspective of K.Y. BenQ, the Chairman of BenQ, he might have initially considered the acquisition to be beneficial. An acquisition can help BenQ gather more sophisticated ideas and thoughts, for example. However, Siemens' employees are likely to have considered the acquisition to be harmful because it creates a sense of betrayal. In fact, over 2,000 workers lost their jobs as the takeover didn't work in the long run due to the internal conflicts.

In conclusion, BenQ's acquisition of Siemens and the subsequent changes, resulted in a clash in corporate cultures and significant conflict. A lack of cultural understanding often results in miscommunications and misunderstandings. The cultural conflict between the two companies, resulted from the difference in collectivist and individualist corporate cultures. Despite the fact that change can help generate synergy, it can also make employees feel devalued and unappreciated, which therefore diminishes productivity and competitiveness. In this case, BenQ was not able to resolve the conflict effectively, thus resulting in the failure of this acquisition.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

38. With reference to an organization of your choice, discuss the impact of cash flow management on strategy and change.

Sime Darby (SD) is a Malaysian multinational public listed company. Its business operations are well diversified, such as plantation, industrial equipment, motors, property and energy. SD is the world's largest producer of palm oil, with its plantation division accounted for its largest revenue stream. However, climate change and adverse weather patterns (such as the El Nino in 2015) as well as unpredictable fluctuations in the demand for commodities (such as palm-oil) have resulted in the plantation division's profit declining by almost 40% in the last financial year. SD's financial statement also shows its gearing ratio rose from 42% to 49% in the past 5 years.

Cash flow refers to the money coming in (from sales revenue) and the money leaving the business (when costs are paid). A cash flow management is used to ensure SD remains liquid by preventing sufficient cash balances to fund its daily operations. Sime Darby's final accounts for the past 5 years revealed deteriorating net profit margins (NPM) and return on capital employed (ROCE). The major cause was the company's rising overheads costs due to its expansion funded by long-term loan capital. This caused an injection of cash from the bank loans, but subsequently caused the monthly cash balances to fall steadily due to the cost of finance and a long working capital cycle.

Strategy is the way in which a business intends to achieve its long term organizational goals. Cash flow management has a huge impact on SD's strategy, because without sufficient working capital (the cash available for the day to day operations of the business), it would not be able to survive and pursue its long term goals. This would result in some or many employees losing their jobs. SD's strategies include focussing on its core markets, pursuing growth and efficiency.

In 2015, SD's cash flow was in deficient of over \$1 billion. To improve its cash flow management, SD was considering selling \$500 million worth of real-estate assets in Australia to reduce its debts. There were risks associated with the strategy of rapid growth as SD could be entering new markets with their existing products without sufficient working capital. Thus, managing SD's cash flow requires a prudent approach in terms of its capital expenditure and debt financing. However, some shareholders might feel that asset disposal in Australia was a premature strategy to pay for current debts as there could be long-term gains from investing in new markets. Whatever the final outcome, there would be a direct impact on each individual shareholder's return of his or her investment. Likewise, this might affect the bonus paid to the CEO and the Directors.

In the pursuit of growth, efficiency and meeting **changes** in market demands such as expectations of corporate social responsibility and sustainability, SD acquired New Britain Palm Oil Ltd. (NBPOL) in 2015 for \$1.35 billion. This would enhance SD's oil palm supply chain and ensure sustainability of its palm oil plantations and increase its palm oil refining capacity. However, seeking growth during a time of change (namely an economic slowdown) in economic activities in Europe and China, plus uncertainty about interest rates hikes in the USA, could be risky. Economic changes such as these could harm palm oil production. This would hurt shareholders and directors alike who would not see a positive return on the cash used to acquire NBPOL.

A related point is that cash flow management is a limited tool on its own as cash flow forecasts can suddenly become inaccurate due to such economic changes.

Environmental change has also attracted the interest of a wide range of stakeholders, such as pressure groups, and they have changed the mind-sets of customers, employees and local communities. Compliance with changes to stricter environmental sustainability and green practices has also increased the cost of SD's operations. Thus, in terms of liquidity, it means SD needs to manage its cash flow even better.

In conclusion, a business cannot operate without sufficient cash flow management, so this is vital for SD's strategy and impacts on its ability to initiate and adapt to change. The Directors need to ensure its working capital requirement is managed well so it can operate sustainably and meet the needs of its customers, employees and investors. Effective management of cash flows can therefore support SD's strategy and change.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

39. For one or two organizations of your choice, examine how change and globalization have impacted on the unique selling point(s).

The two organizations that I will discuss in this essay are Singapore Airlines (SIA) and Apple. Both are large multinational companies. This essay will focus on the business management content of these firms having a **Unique Selling Point** (USP), which is any factor a business has achieved which makes it stand out from its competitors.

Change is an essential component of any organization and they have to adapt to or initiate change in order to remain competitive. Change is caused by variations in the internal and/or external business environment. One change facing SIA, which was founded in 1972, is the growing range of travel options available with many more budget airlines competing in the industry (such as Air Asia, founded in 1993). To cater for a growing number of travelers and the need to satisfy shareholder return, SIA became the first airline carrier to use the Airbus A380, the world's largest passenger aircraft, in 2007. SIA's A380s have four sets of classes (economy, premium economy, business and first class), and even a 'suite class' on some of their planes allowing customers total privacy. The suite class cabins offer a comfortable bed, large-screen TV and a private chef for the passenger. SIA has focused on its unrivaled level of customer service as its unique selling point, offering its passengers a world class service. This USP has made SIA the most awarded airline in the industry, winning Best International Airline for the past 5 years.

Apple faced its most significant change in 2011 when Steve Jobs passed away; it was a huge hit to the whole company. Jobs was the CEO and iconic leadership behind one of the world's largest companies. This event caused a sudden and dramatic change as Apple looked for new leadership style and appointed Tim Cook as the new CEO. There was concern from some stakeholders that Apple's brand image (its USP) and huge degree of brand loyalty would be damaged following the death of Jobs but Cook has maintained the company's global reputation for innovation and quality. Cook was credited for taking on Samsung, Apple's fierce competitor, by launching larger screen iPhones (starting with the iPhone 6 Plus) to cater for customers across the world who wanted a bigger screen. The iPhone had changed how smartphones would be used (i.e. as computers, rather than telephones). Jobs only wanted customers to choose between 2 versions of the iPhone: black or white. However, their recent product, the Apple Watch, has not been as successful as he had hoped.

Since SIA and Apple are multinational companies, **globalization** has had a positive impact on their USP. As SIA is unable to operate intra-national flights (the city state is just too small), it benefits from operations in global markets, flying to 61 destinations in 35 countries. They employ chefs from around the world to accommodate for different tastes of their international travellers. They hire multilingual staff to aid passengers but use English as a common language. However, their global image has had some negative press coverage due to the view that its "Singapore Girl" advertising slogan is deemed to be sexist. However, this is not viewed as a problem in Singapore, but as a USP. The CEO, Goh Choon Phong, stated in response that "To remove the Singapore Girl icon from SIA is like removing Mickey Mouse from Disneyland."

Apple's iconic logo is easily recognizable as a global brand. The company has relied on providing high quality products that are intuitive to use, such as its iPads and iPhones. The global spread of social media, e-commerce and communications has created huge growth opportunities for Apple. Customers have enjoyed the convenience and multi-functionality that Apple products provide, making it far easier for them to work or play in an ever-globalized world.

In conclusion, change and globalization have both impacted positively on SIA and Apple who have been able to embrace the business opportunities created. Both companies have been able to exploit having a USP in the global markets in which they operate. SIA exploits its USP for providing unrivalled customer service (despite its iconic 'Singapore Girl' slogan being criticized by some people around the world. Apple's USP of being the innovative market leader was not negatively impacted by the change of CEO, but it instead resulted in further success as its brand value continues to grow.

40. With reference to an organization of your choice, discuss the impact of change on business strategy.

For 200 years, Singapore Post's main business was providing postal services across Singapore. However, at the turn of the 21st Century and with over 60 branches, the organization faced major problems due to the huge decline in the demand for postal services in the digital age. Singapore Post (SP) was subsequently listed on the Singapore Stock Exchange in 2003 as change was needed for the business to survive. The Chief Information Officer (CIO), Ramesh Narayanaswamy, foresaw the need for SP to change by making a decision about its future direction and implementing a new business strategy. **Change** can be referred to as the adaptation of the business to suit internal and/or external influences, such as technological advances affecting the industry. **Strategy** is defined as devising plans to achieve the long-term goals of an organization. SP's strategies have changed from focus on its core postal services to logistics and e-commerce.

A key driving factor for change is technology. With the advent of the internet and widespread use of emails, physical mail became largely obsolete in Singapore. One implication is that fewer employees (such as mail sorting staff and postmen) are needed, so some workers at SP faced redundancies. More recently, in 2015, SP successfully performed the world's first delivery of mail by a drone, conducting a test flight carrying a letter and a parcel containing a T-shirt. This is the first time that an unmanned aerial vehicle (UAV) had been used for point-to-point mail delivery. The strategy of using drones could be a game-changer for SP in a sunset industry as parcels or mails can be delivered faster and more efficiently using drones which are unhindered by traffic and other barriers. A postman's job at SP is clearly at stake with drones set to do deliveries all over Singapore. However, one positive implication for shareholders of SP is this strategy creates increased productivity and profitability in the long run, thus generating a greater return on investment for SP's shareholders.

Efficiency in delivery is the key to a successful business strategy in this industry as most of the parcels are usually delivered during normal business hours, a time when many customers themselves are at work. Thus customers who want to receive their parcels in a timely manner find the traditional delivery model of huge inconvenience. Technological progress has led to SP using an alternative way to enable customers to get their parcels in an efficient way by using any of SP's POPStations in Singapore. Online customers use an app or SP's website to have their online shopping delivered to any of SP's 160 POPStations. Customers can then collect their own parcels at their own convenience from the conveniently located POPStations 24/7. Customers receive an email or SMS message when their goods are ready for collection. Customers enter their PIN or QR code at the POPStation to collect their shopping items. This innovative strategy has given many customers a good reason to return to SP. Hence, SP has successfully embraced change as part of its strategy.

For its Hong Kong market, SP invested in parcel delivery company Morning Express Couriers, which owns a rapidly expanding network of self-collection parcel smart lockers (in a similar way to POPStation). For e-tailers using SP's services, they simply drop off their parcel directly to designated smart lockers which then automatically generate unique collection codes for the consumer, which are then texted to the respective customers who can then collect the parcel at their own convenience.

For SP, the nature of competition has changed. E-commerce giants, such as Alibaba's foray into the logistics industry in 2013 through its subsidiary, Cainiao, forced SP to change its business strategy to reinvent itself or risk irrelevance. Large e-tailers such as Taobao and Amazon tend to bypass intermediaries by delivering their goods straight to their customers. Being a late adopter of e-commerce, this prompted SP to formulate its own e-commerce strategy (e-commerce is the buying and selling of goods and services primarily over the internet). SP's strategy was to acquire existing e-commerce logistics businesses such as the USA's TradeGlobal Holdings and Jagged Peak, both in 2016. The advantage of these acquisitions is SP's e-commerce logistics network can now be expanded in the US market as well as access to China and Asia Pacific.

However, the disadvantage of this strategy is the cost involved in such major corporate acquisitions. The financial benefits of changing to an e-commerce strategy may be felt in the longer term and shareholders of SP may not experience any short-term returns. The other major problem of such takeovers is managing the expanded business operations during times of uncertainty, change and conflict. The surprise resignation of SP's CEO, Wolfgang Baier, in December 2015 highlighted SP's problems caused by internal conflict between the directors who are risk-averse and senior executives seeking a new direction in response to changes in the industry.

In conclusion, changes related to technology, trends in consumer markets and the nature of competition in the industry were factors that forced SP to formulate new business strategies in order to remain competitive. These strategies included the use of drones, SP's POPStations and investment in e-commerce strategies and acquisitions to ensure the company remains competitive well beyond its 200-year history.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

41. With reference to an organization of your choice, examine the impact of globalization on organizational change.

Starbucks is a good example of a globalized company, with over 23,000 outlets in 72 countries worldwide. **Globalization** refers to the growth in cross-border trade, converging fashions and tastes, and increasingly international markets. **Change** refers to the adaptation of objectives, operations and strategies to accommodate internal and external influences on the business environment. Globalization has meant that Starbucks have had to make changes when entering different markets, to ensure they meet the needs of local customers. For example, Starbucks will be entering Italy for the first time in April 2017. This is part of its market development strategy (part of the Ansoff Matrix), when an organization grows by selling existing products in new markets.

As a globalized firm, it was only a matter of time before Starbucks entered the Italian market. The CEO, Howard Shultz, stated that while it has always been his intention, it is only now the company feels ready to make the move into Italy because the coffee drinking culture is very different there. Shultz stated it was out of deep respect for the coffee culture in Italy that he has waited this long to employ market development in Italy. Here, customers tend to have a quick espresso and go, whereas Starbucks is famed for a coffee drinking environment where customers stay for a much longer time. Entering Italy was therefore seen as a risky strategy for many years.

However, Shultz has stated they will adopt this change with 'humility and respect' showing they realise just how challenging it may be. The impact of this change on Italian customers could be positive, as they have yet to experience American coffee culture in their own country, and Starbucks will give Italian customers more choice. Psychologists in Italy believe Starbucks will be a big hit with the younger generation who are likely to embrace this change so they can feel globally connected, but the older generation are less likely to appreciate this new approach to drinking coffee. Either way, Starbucks is in a much better position now to absorb the risks because of how well established the firm is and its global status.

Another change adopted by Starbucks in recent years, which illustrates the impact of globalization, was its acquisition of Evolution Fresh (the juice bar chain) in November 2011. This is an example of related diversification, as Starbucks was able to target new customers (non-coffee drinkers) and new products (fruit juice) in the same industry (beverages). Globalization has also brought greater awareness of healthy life styles, including diet. Acquiring Evolution Fresh enabled Starbucks cater for customers who preferred healthy drinks and salads to its core product (espresso coffees). Evolution Fresh has been highly successful with some of its bars enjoying annual sales of over \$1 million. While this change will help Starbucks to establish itself in the fruit juice market, it is an industry which is already saturated, which also illustrates the risks of this growth strategy. However, the acquisition has paid off for shareholders, who have seen share value improve significantly since 2011. Nevertheless, global firms tend to have a lot more pressure on them if adopted changes fail, because the media is more likely to take interest.

It can be concluded that Starbucks has made various organizational changes over the years, because of the opportunities brought about by globalization. Starbucks's status as a global market leader in the coffee retail sector has enabled it to grow successfully across many borders worldwide. Hence, the natural direction for Starbucks now is to take further risks through strategies such as market development and diversification. Due to globalization, Starbucks is better able to adopt changes. For example, had Starbucks tried to enter the Italian market when they were not as well established, the strategy could have failed disastrously. Hence, globalization has had a major impact on the organization change at Starbucks.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

42. With reference to an organization of your choice, discuss how marketing strategies may differ in two cultures that you are familiar with.

Starbucks, a multinational company that sells coffee and other beverages was founded in Seattle, America in 1971. In 1999, Starbucks opened its first store in Beijing, where the culture is different to that of Starbucks America. **Culture** refers to the different customary norms in different regions of the world. For example, Chinese people do not drink tea with sugar and milk, whereas herbal coffees are not sold in mainstream Starbucks stores in the USA. A different culture led to Starbucks requiring different marketing strategies to win the trust and loyalty of Chinese customers. This resulted in modifications to its **marketing strategies**, which refers to the different ways in which a business strives to achieve its long term marketing goals. This can, for example, be through different strategies based on product, place, price, process and promotion.

Once Starbucks entered the Chinese market, it changed its beverage menu, which relates to its product strategy. Starbucks focussed on its core products and bestsellers i.e. its well-known espressos, such as the cappuccino, Americano, and latte. To meet the preferences of Chinese customers, Starbucks China introduced the green tea flavoured latte. Due to this product focused strategy, Chinese customers quickly developed a taste for Starbucks and its coffees, which has been essential to it gaining brand awareness in China. However, perhaps due to the lack of market research, some products such as the Spicy Macchiato were not highly appreciated in China.

Being the large multinational that it is with over 23,700 stores worldwide, Starbucks outlets are located in popular areas where many people pass by, such as shopping malls, high streets, and at train stations. This relates to place in the marketing mix. However, Starbucks has a much larger distribution network of over 13,000 stores in the USA, and only about 2,200 outlets in China. This is because Starbucks has been operating in the United States for many more years, but Starbucks can only be found extensively in major Chinese cities, such as Shanghai and Beijing.

The price of a Starbucks drink is slightly lower in China compared to the USA. Still, it represents a premium drink for the average Chinese customer, who earns less than his/her US counterpart as wages are much lower on average in China. Culturally, consuming a foreign branded product, such as Starbucks coffee, is a status symbol for the Chinese. This also attracts Chinese customers who want to experience Western culture. However, the premium prices also mean that unlike American culture where the average person consumes coffee with relatively ease, far fewer people in China are able to enjoy a Starbucks coffee.

As a well-established market leader in many countries, Starbucks is now able to spend less than 1% of its annual revenues on advertising. Instead, it now relies on the use of word of mouth promotion. Whilst a growing number of people in China now use the internet, social media apps such as Facebook, Twitter and WhatsApp are banned. In the US, Facebook and Twitter (@Starbucks) are used by Starbucks as part of its social media marketing. By contrast, most people in China use WeChat (an instant messaging app established in China in 2011, and now with over 700 million users in China).

Starbucks is known for its relaxed environment, in which customers are free to stay without being asked to buy another cup of coffee. This business model was quite unique when it first came to China. Starbucks is still seen in many provinces of China as 'new' and trendy, which has often resulted in positive word of mouth promotion via WeChat's hundreds of millions of users.

However, the American style of customer service (process in the extended marketing mix) is not always appreciated in China as customers are expected to go to the cashier to pay and order, whereas in Chinese teashops they are personally served at the table with the menu. This strategy left many Chinese customers with an unexpected and sometimes unwanted experience, which lead to some negative word-of-mouth. This strategy was not favoured in the short term, but as Starbucks has become better established, Chinese customers have warmed to the Western practice.

In conclusion, Starbucks has adapted itself well to the cultural differences of China, focusing on different aspects of its marketing strategy, such as product, pricing, promotion and process. It has mainly focused on making its product line more 'user friendly' to Chinese customers, whilst place, price and promotion are secondary priorities. The CEO, Howard Schultz, might want to put more emphasis on these Ps in the future if the company aims to maximise success in China.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

43. With reference to an organization of your choice, discuss how innovation and globalization influence its growth.

Tesla Inc. was founded in 2003 by a group of engineers in Silicon Valley, California who wanted to show that electric cars can be as effective as gasoline-powered cars. This unique selling point, coupled with its innovative designs, has drastically increased Tesla's market share in America. In 2013, Tesla decided to expand its markets internationally in order to operate on a larger scale and gain economies of scale. **Globalization** is the integration and interdependence of businesses, cultures and countries, through increased international trade. **Innovation** is the practice of introducing or improving an organization's products and/or processes.

Tesla produces cars with zero emissions, great designs and with faster acceleration than most road cars. These innovative features instantly grabbed the general public's attention as those innovations are environmentally friendly, cost effective (compared with other vehicles using oil) yet allowed customers to drive cars with fast acceleration. Although there were existing hybrid cars, such as Toyota's Prius, no other car maker had managed to deliver such desirable qualities of design, speed and environmental friendliness.

Growth refers to the increase in the size of an organization, as measured by factors such as sales revenue, profit and market share. As the company grew, it gained advantages through economies of scale, which refers to the reduction of average costs as a business grows. Firstly, Tesla enjoys technical economies as the company uses sophisticated machinery and technologies to increase its productivity. As a result, Tesla's sales, profits and market share increased in the USA. By 2016, the company's sales had exceeded \$4bn.

Nevertheless, Tesla's initial investment cost was over \$7.5 million, financed mainly from personal funds. Hence, innovation and growth are vital for the company to recoup the costs of its investment. Furthermore, in order to grow, Tesla needs to pay highly competitive salaries to attract and retain skilled personnel. With a larger volume of output of cars, the labour costs can be spread over out, thereby further reducing average costs of production. However, the need for continuous capital investment to fund innovations might actually push up Tesla's unit costs of production.

As mentioned, Tesla took advantage of globalization by expanding into overseas markets since 2013. The company started delivery of its Model-S to Europe in 2013, while deliveries to Asia commenced in 2014. It has gained huge success in Europe where, according to *Jalopnik* (automobile news), Tesla is already the best-selling model in Norway. Customers in these markets have gained from having greater choice in buying energy-efficient cars.

However, globalization and expansion in other countries can also bring some challenges to Tesla. Although globalization is fueled by converging consumer fashions and tastes, Tesla might not be flexible enough to satisfy each market's specific demands. Whilst there are plenty of charging stations throughout the network of roads across the UK, this is not the case for all countries, thus limiting the potential sales of Tesla. Essentially for Tesla, its growth in overseas markets is reliant on their infrastructure in support of drivers of electric cars.

Stakeholders of Tesla are impacted in different ways from globalization and innovation. For its suppliers, such as Continental (tyres), they will have more orders from Tesla, boosting its own revenues. The shareholders of Tesla are also able to gain advantages through Tesla's higher sales and profits as the firm grows, i.e. an increase in the share price (which jumped by just under 500% between 2013 and 2014).

In conclusion, both innovation and globalization have had a major influence on Tesla's growth. The many advantages (such as economies of scale and access to larger markets) help to increase Tesla's productivity and reduce its average costs of production. However, managing global operations effectively and being at the forefront of innovation are undoubtedly challenges for Tesla as it pursues its growth.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

44. With reference to an organization of your choice, examine the impact of ethics and change on its objectives.

Toyota Motor Corporation (Toyota) is a Japanese car manufacturer headquartered in Aichi, Japan. Founded in 1937, Toyota is one of the world's largest automotive manufacturers. The company has recently changed its objective to focus on enhancing the quality and technologies for green-energy cars in order to remain competitive.

Change refers to the internal and external factors that impact a business factors, such as changes in the state of the economy, fashion and trends in society, and attitudes towards the environment. Change is at times necessary because of unpredictable internal and external factors affecting businesses, such as changes in the state of the economy, fashion and trends in society, and attitudes towards the environment.

Toyota was the first in the industry to commercially mass-produce and sell hybrid electric vehicles when the company launched the Toyota Prius in 1997, back when there was a gap in the market for eco-friendly vehicles. This provided Toyota with a significant first mover advantage, positioning the company as the first to introduce mass-produced hybrid cars. The brand recognition and trust from the public and its potential customer base ultimately resulted in a significant market share and brand loyalty. In fact, its sales doubled in 2004 and then again in 2005.

An increase in the sales of the Toyota Prius should ultimately increase profit, pleasing directors and shareholders alike who are financially remunerated as a result. Greater profit allows Toyota to spend more on Research and Development (R&D), allowing further improvements and achievement of their objective to enhance the quality and technologies for green-energy cars. Fundamentally, Toyota started to be seen as an ethical business. **Ethics** refers to the moral principles that a business deems to be important, such as environmental protection above profits. This can be seen as an internal strength of the company.

Toyota's environmentally friendly hybrid vehicles gained the hearts of customers due to increasing ethical concerns for the protection of the earth. As the hybrid cars (which use petroleum and electricity), this puts less pressure on the use of fossil fuels, creating a positive, ethical corporate image for Toyota. Despite it being Japan's largest car maker, its ethical practices resulted in the government providing subsidies to Toyota for R&D. This enabled the company to change its objectives to focus on green-vehicles. Furthermore, customers of certified eco-friendly vehicles in Japan are provided subsidies when buying the eco-friendly cars, which ultimately makes the Prius more attractive as the price can be lowered. In London, incentives are provided by hybrid drivers, such as Prius owners, who are exempt from paying the London Congestion Charge. This further benefits Prius owners who can drive into central London without being charged the daily fee of £11.50.

However, a major weakness is that the selling price of the Toyota Prius, starting from €29,995 in the Netherlands, is still relatively high compared to other available vehicles on the market. This is partly due to the higher costs of producing hybrid cars, despite any government subsidies, and also due to the smaller market size meaning Toyota cannot benefit as much from economies of scale. To appeal more to the potential customers, Toyota had to change by cutting costs. It did this through the use of shared parts with its other vehicles, thereby saving 30% of the costs. However, the price did not drop by 30%, which raises the question about Toyota's ethics.

Also, the popularity of the Prius attracted new firms to enter the industry. Companies such as America's Tesla and China's BYD have taken away market share from Toyota. This change in the external business environment has also had a negative impact on Toyota's profits. As a result, according to the news media, Toyota sought to cut costs by cutting corners, e.g. neglected safety concerns and delaying recall investigations. However, this unethical behaviour backfired with a large number of product recalls. In 2014, over 6.5 million Toyota cars were recalled due to steering and seatbelt problems. This crisis seriously harmed the company's brand and perhaps reduced the brand loyalty of Toyota's consumers. This wasn't an isolate incident as an airbag failure in 2016 caused the company to recall almost 3.5 cars across the world. Subsequently, shareholders took a hit as profits would have declined sharply. The shareholders would have suffered by declining share prices and a fall in their dividend payout. This action also contrasted their objectives of enhancing the 'quality' of its product.

To conclude, it may only be fair to say that changes in the external business environment and ethical business practices have had huge impacts on Toyota's objectives. Toyota exploited a gap in the market for green-energy vehicles, initiating a change of focus in the motor industry. This gave the company a first mover advantage in the green-vehicles industry. However, competition led to some unethical practices that eventually cost a company to lose a lot of money and cause damage to its corporate image.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

45. With reference to an organization of your choice, examine how change and globalization have impacted on offshoring.

UNIQLO is a Japanese fashion retailer and operates in 16 markets worldwide with over 1,400 stores and 30,000 employees. The company aims to become the world's biggest casual apparel manufacturer and retailer. Hence, it aims to take advantage of **globalization**. This refers to the growing integration and interdependence of the world's economies through international trade and exchange, such as cultural exports. To take full advantage of globalization, UNIQLO has offshored production to countries such as Vietnam. **Offshoring** occurs when a firm relocates some of its operations abroad, usually to reduce costs. **Change** refers to a modification made because of an internal or external factor impacting the organization.

Recently, UNIQLO relocated its offshored production facilities in China to Vietnam. This is an example of a change made to its offshoring strategy, to benefit from globalization as Vietnamese factory workers are significantly cheaper to hire than those in China. UNIQLO successfully relocated Chinese factories to Vietnam in 2009. One reason is that Vietnam has much lower labour costs than China now, so this approach was used to aim to increase the company's profit in the long term. This is the most common reason for offshoring and UNIQLO applied this change so they can take advantage of reduced costs. The move has pleased shareholders who have enjoyed greater dividend payouts since 2009.

In addition, the forces of globalization have meant that the Vietnamese government has been actively improving the country's infrastructure in order to attract multinational businesses. Another consequence of globalization is the desire of firms to take advantage of lower costs around the world, looking for low cost manufacturing alternatives to China and other countries. The Vietnamese government has also been considering additional strategies, such as lowering corporation taxes. Hence, globalization has directly impacted UNIQLO's decision to offshore its operations in Vietnam. By attracting a well-known brand such as this one, the government is more likely to encourage other firms to offshore to Vietnam too. However, offshoring is not without its problems, with many cases of well-known multinational manufacturers having to deal with bad publicity due to unethical business behaviour of the offshored companies abroad.

UNIQLO also offshored its textile factories to Turkey to enter the European market in 2014 to compete with rivals such as H&M, ZARA and GAP. This change in offshoring strategy was used to enable UNIQLO get closer to European countries. It would allow the company to cut costs to deal with the threats of intense competition in the casual wear clothing industry and the low profit margins. UNIQLO also did this to benefit from Turkey's reputation for high quality production and highly skilled staff. It is therefore due to the opportunities of globalization, at least to some extent, that UNIQLO opted to adopt this change in offshoring strategy. However, the decision by the CEO, Tadashi Yanai, to offshore to Turkey is likely to increase costs, at least in the short run due to the set-up costs, which he would have needed to justify to his shareholders.

It can be concluded that change and globalization have resulted in the need for UNIQLO to adopt different offshoring strategies in order to remain competitive. Rising labour costs in China have resulted in the firm seeking cheaper offshoring alternatives in countries such as Vietnam. On the other hand, UNIQLO has also located factories in Turkey to take advantage of the proximity to European markets and the widely available skilled labour.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

46. With reference to an organization of your choice, examine how strategy has impacted on corporate culture.

The Volkswagen (VW) scandal broke out at the end of 2015 when it was found that many VW vehicles being sold in the USA had software in diesel engines that could detect when they were being tested, changing the emissions results. This strategy therefore affected the company's corporate **culture**, which can be defined as the traditions and norms within an organization that have been established over a long period of time. It is based on the beliefs, values and attitudes in the workplace. **Strategy** is the long term plan of action designed to achieve a particular corporate goal or set of goals, in order to improve the performance of the business. If executed properly, it means the business can move forward and remain competitive.

VW was on the right track to becoming the world's largest carmaker (one of its corporate aims) and a well trusted German company with over 10 million vehicles produced last year. It had a solid post-war reputation and a market leader in many markets around the world. A major challenge for VW was getting established in the US market as market research showed that demand for diesel cars was the highest in the USA. Volkswagen therefore had to improve its technology in order to be able to penetrate the American market as its emission levels were not fit to pass the US emission tests. Thus, there was enormous pressure on VW's engineers who had been ordered to find a low-price way to keep diesel emissions down to meet US standards.

VW's reputation for technical excellence was on the line and the then CEO, Martin Winterkorn, took this very seriously. He had the habit of criticizing employees publicly and established a strong command and control culture. Yet, Volkswagen decided to bet on its "fuel-efficient" diesel-powered cars to enter the US market and went with the unethical strategy to fit these cars with devices to cheat the tests, while pursuing a misleading advertising campaign around "clean diesel" engines. The strategy therefore established an unwanted and dysfunctional corporate culture. Winterkorn denied knowing about the finer details originally, but it was later found he received a memo with information about this well before it happened under his leadership.

After the scandal broke out, VW was forced to make adjustments to its strategies, but most importantly, changes regarding their corporate culture in order to deal with the crisis it was facing. VW had committed industrial fraud with a suspected 11 million vehicles fitted with illegal devices capable of cheating emission tests. The underhand strategy backfired and meant VW had to regain the trust of the public. Hence, a change to its corporate culture was needed. Martin Winterkorn resigned and a new CEO, Mathias Muller, was employed to help rebuild the brand and corporate culture. However, Muller, an ex-CEO of Porsche, was also the head of product planning at VW during 2007 to 2010, during the period when the defected software was first used. Additionally, he worked very closely with Winterkorn, so it is questionable whether Muller is the right person to change and improve VW's strategy and corporate culture.

The scandal had a major negative effect on VW's shareholders as the sales of new VW-branded cars fell by 14% initially, reducing Europe's largest carmaker's market share beyond the USA, such as in the UK too (one of its most successful markets). Other brands owned by VW were also hit. Sales of Skoda and Seat cars fell by as much as 25%. For the shareholders, share prices and dividends would have fallen as a result of this. Nevertheless, the VW brand enjoys huge brand loyalty in many markets, so was able to withstand the negative press around the scandal in the USA. For example, sales of the Volkswagen Golf remained the best-selling car in Sweden in 2016.

In conclusion, VW's strategy used to cheat the diesel emissions tests in the USA, was only successful in the short term. The unethical strategy was based on VW's corporate culture of striving to be the world's largest carmaker. It is difficult to say whether the change in CEO has had a positive impact on the firm's corporate culture yet, especially as he was an internal stakeholder before and during the time of the scandal. However, change at the very top of the organization is required to improve VW's organizational culture and to rebuild its reputation.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

47. With reference to an organization of your choice, examine how ethics and change have impacted on employee-employer relations.

Walmart is an American multinational retail corporation that operates the USA's largest chain of supermarkets. The business operates over 11,500 stores in 28 countries around the world. In 2014, industrial action occurred due to Walmart cutting benefits for its part-time employees. This decision was deemed to be unethical and resulted in bad **employee-employer relationships** at Walmart. This refers to interactions, connections and affiliations of workers and their managers in the workplace. Business **ethics** refers to the moral principles that guide a firm's behaviour. Walmart's reported cases in the media about the mistreatment of employees damaged its brand image.

Walmart had cut benefits (perks) for its part-time employees to help the business cut costs. This is an example of an internal **change** – something that alters or transforms the way business is conducted that is within the organization's control or is initiated by the business itself. Whilst cost cutting might make the business more profitable, Walmart is neglecting the issue of being unethical which damages working relationships. These issues, exposed in the press, included low wages, long working hours, poor working conditions and inadequate health care for its part-time staff. However, what made this worse was that Walmart had already been criticised about its unethical treatment of workers over a decade ago, with damning reports about being sexist and exploiting workers in the 2005 documentary 'Walmart – the cost of low prices').

Unethical business behaviour created a negative employee-employer relationship at Walmart, which resulted in industrial action being taken across Walmart stores in the USA. This resulted in a fall in labour productivity as employees were demotivated and so this affected the quality of their work. Reducing the provision of healthcare insurance for its employees also demoralises the employees who feel less valued by their employer. Nevertheless, the changes resulted in lower costs for Walmart – deemed to be essential in an ever-competitive industry, especially as it employs 2.3 million workers, most of which are part-time staff. The lower costs are vital for Walmart's profits.

The negative news in the press exposed Walmart for its unethical treatment towards workers and resulted in Walmart's policy being changed to better consider the needs of their employees. With this new change in its strategy, Walmart will potentially transform the attitudes of their employees, thus improving employee-employer relations. This would subsequently help the company to improve its corporate image. Despite the experiences of the past, Walmart doesn't seem to have learnt from the strikes in 2014, as similar issues have happened in China in 2016 because of Walmart's proposed new flexible working hours schedules (essentially making workers 'on call' and being sent home during times the supermarkets were less busy than planned). Walmart eventually agreed to discuss the matter further, bringing the strikes to an end.

Through Walmart's unethical behaviour, the competitors could benefit as Walmart customers look for a new supermarket to shop at. Through the change that damaged the employee-employer relationship due to Walmart's unethical practices, the government was concerned about the situation because Walmart is the USA's and world's largest private sector employer. Hence, the scale of the industrial disputes could mean the government may need to get involved. Also, the negative exposure would harm Walmart's suppliers that rely heavily the company to buy their products.

In conclusion, through change resulting in unethical practices at Walmart, the company's employee-employer relationship was damaged significantly. However, industrial action and negative press reports resulted in further change, with stories in the press that Walmart executives and managers are now treating their employees with more respect and awarding staff with competitive remuneration packages in the supermarket industry. This should, in the long term, increase labour productivity and motivation, benefiting customers who gain from higher customer satisfaction. However, Walmart has gotten itself back into bad habits following further strike action of Walmart's workers in China in 2016.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

48. With reference to an organization of your choice, examine the impact of change and globalization on the packaging of its products.

Change refers how competition, new technologies and markets and trends in consumer behaviour lead businesses to adapt their objectives, strategies and operations. An organization's success emerges from its ability to plan and respond to signals in both the internal and external business environment. **Globalization** refers to how international forces (such as the increasing social, cultural, technological and economic integration of economies) influence organizations. In turn, organizations can shape these forces. Many businesses operate across national boundaries, for example. The concepts of change and globalization are interlinked to each other and together they could affect how a business such as Yeo Hiap Seng (YHS) packages its products. YHS is a multinational fast-moving consumer goods (FMCG) manufacturer, headquartered in Singapore. It has operations in Europe, Asia Pacific and the USA.

The **packaging** of products refers to processes and materials involved in containing, handling, protecting, or transporting a good. Packaging of a product is important because it may include functions such as attracting customers' attention, assisting in promoting the product and/or brand, and communicating essential or additional information. Packing is often used as part of a firm's branding strategy. Branding refers to the uniqueness of a specific product or service that consumers perceive through the name, logo, slogan, or design.

Founded in 1900, YHS began as a small shop selling soya sauce in Zhangzhou, in China's Fujian province. Some decades later, Yeo Keng Lian, the founder, and his family moved the business to Singapore to establish the Yeo Hiap Seng Sauce Factory. The family business continued to grow until it became a public listed company on the Stock Exchange of Singapore in the late sixties. With more than a hundred years of history, YHS has successfully changed and established itself as a well-received household brand not only in Singapore but also in many countries around the world. On its path to globalization, its knowledge and understanding of change (such as changes to trends and consumers' needs), YHS has developed a diversified range of food and beverage products. This includes noodles, canned food, carbonated soft drinks, fruit juices and culinary sauces.

Globalization has allowed YHS to grow and become a leading brand. For its renowned soya bean drink, beans are imported from Canada to its Singapore and Malaysian plants. Free Trade Agreements (FTAs) with Canada and China help to eliminate the impact on tariffs (taxes on imports). Being part of ASEAN, YHS also benefits from free trade agreements with Cambodia, Myanmar, Laos and Vietnam. To enable YHS to appeal to a global audience, its packaging strategy has had to change, such as the use of English to target a worldwide audience (in places like Australia, NZ and Canada), but also the use of Chinese characters for its core markets in Singapore, Malaysia and China.

In 2015, YHS changed its strategy to also target the youth market, so has introduced a range of new products, including Chrysanthemum Tea, Soy Bean Milk, Winter Melon Drink and Jasmine Green Tea. This has necessitated changes to its packaging strategy (using a cleaner and sleeker look) to move away from being associated with an 'older' generation of customers for YHS's customers. Creating more upbeat packaging and designs can help to appeal to the youth market of customers.

However, repackaging and redesigns take time to reap any returns and can be expensive for YHS. The company's net profit had fallen in 2016 due to lower global earnings. Hence higher costs due to packaging could have a big impact on the shareholders of YHS, as their return on investment would be lower. The CEO, Melvin Tan, would receive less remuneration and shareholders would receive less dividend. Besides, the Ministry of Environment and Water Resources requires YHS to submit annual reports with details of the company's packaging, including details of waste disposal.

YHS also integrated a new Manufacturing Execution System to reduce cost and reduce wastes of its packaging. Thus, leaner packaging processes can help YHS to reduce its material and packaging costs. An advantage of using less materials and producing less wastage is that it can gain the endorsement of environmental groups and customers who are concerned about the natural environment.

In conclusion, change and globalization have impacted on YHS's packaging of its products. They have provided both opportunities (such as expanding to new overseas markets) and challenges (such as language translations on packaging and redesigns for the youth sector) to YHS. However, the opportunities presented by globalization have enabled the company to grow and satisfy its shareholders over time as YHS has adapted well to changes in the industries in which it operates. YHS's continued innovation in the production of quality food and drinks, various stakeholders stand to benefit from it.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

49. With reference to an organization you have studied, examine the impact of globalization and innovation on its organizational aims.

Yves Saint Laurent (YSL) is a luxury fashion brand established by Yves Saint Laurent and his partner Pierre Bergé in Paris, 1961. Today, YSL also sells a variety of luxury products, such as handbags, shoes, jewelry and beauty products. **Innovation** refers to the improvements in products or processes, which enable an organization to be competitive in the industry. **Globalization** refers to the growing integration of products, customs and ideas across national borders. An **aim** is a long term organizational goal which a business wants to achieve. Globalization and innovation have directly impacted on the aims of YSL who aim to “create and market highly desirable products through innovation and unparalleled quality and design”. YSL’s aim focuses explicitly on innovation, in order to meet the demands of their international customer base.

Globalization has created many opportunities for YSL. For example, China’s membership of the World Trade Organization (WTO) has allowed many multinational companies to expand into China. YSL believes that China is their biggest market for the foreseeable future. The Chinese market fits with YSL’s aim to create “highly desirable products”, as a growing number of affluent Chinese customers continue to demand luxury products from overseas. This is evident in luxury shopping malls throughout cities like Shanghai, Beijing and Tianjin which are home to famous luxury brands like Gucci and Chanel, as well as YSL. Due to the globalization of markets, YSL has set its aims on expanding in countries like China, where there has been a steady and sustained increase in the demand for luxury products. Due to YSL’s expansion across borders, it is able to gain from a larger customer base, which can lead to an increase in sales.

Innovation also has a direct impact on YSL’s aims. To meet their customers’ needs, YSL have been designing and using limited edition special packaging, specifically to target the Chinese market during the Chinese Lunar New Year. By using innovative and appealing packaging, YSL aims to satisfy local requirements and preferences. An advantage of using innovative packaging is it allows YSL to become unique, especially if other brands don’t use similar ideas to promote their brand in the same way. However, this is only a short term sales promotion, as others can easily imitate the use of special packaging during a festive season. Hence, it is only short lived, although it might be able to create brand awareness in China; one of YSL’s aims.

One of YSL’s latest innovations is a new foundation called Le Cushion Encre de Peau. Its foundation has quickly become a very popular cosmetics product in Asia, and can certainly help to increase YSL’s market share. On the other hand, because competitor brands (such as Chanel, Lancôme and Dior) have well-established brand loyalty in France, China many other parts of the world, YSL may find it more challenging to secure higher market share; another one of YSL’s corporate aims.

The impact on YSL's stakeholders are far-fetching. Firstly, customers will be very happy as they are able to buy YSL's highly desirable product in China. YSL's presence also creates more choice for customers. However, globalization also brings its threats, such as the growing presence and number of competitors, such as Givenchy (French), Shiseido (Japanese) Estée Lauder (USA) and OriFlame (Swedish). Shareholders will be pleased, in the long term, with the aim to expand in China, because it would ultimately lead to higher share prices and dividend payments.

It can be concluded that the forces of globalization and innovation have heavily impacted the aims of YSL. As a multinational company with its products sold all over the world due to globalization, it is important that YSL knows how to integrate its products across national borders.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

50. With reference to a business you have studied, examine the impact of change and innovation on its organizational objectives.

Zara is a Spanish multinational company that has over 2,000 stores worldwide and belongs to the Inditex group (the world's largest clothing retailer). Co-founder Amancio Ortega opened the first Zara store in 1975 in Galicia, Spain. Today, Zara operates in the fashion sector and it is well known for being innovative by providing medium-quality products at low prices. In this case, **innovation** refers to the continual adaptation of Zara's clothing products to meet needs of its customer. **Change** refers to factors that cause a business to modify its operations and products due to internal or external factors, such as expansion in overseas markets or changes in consumer fashion and trends. Zara's innovative ideas and changes in the industry impact directly on its objectives. **Objectives** are the targets put in place to meet a firm's aims. They tend to be specific and measurable goals.

In 2014, Zara started offering a Korean clothes line, using an e-commerce platform. This increased brand awareness in Korea as customers there were able to easily purchase the kind of clothing products that appealed to their taste. The clothing product line is made available directly through Zara's online shopping platform, or customers can pre-order or reserve the items and get to the nearest store to purchase and collect them. This innovative change impacted Zara's marketing objective to meet the needs of a new market segment, especially as online shopping is highly popular amongst Koreans.

For customers, the online platform provides an additional channel of distribution, allowing an easy ordering process and a cost-effective way for them to purchase Zara clothing. However, Zara's customers may prefer to collect the purchased items in store, in order to avoid shipping (postage) costs and a delay in getting the items. Nevertheless, innovation is a requirement for Zara in order for it to remain competitive. The industry is filled with large competitors such as Mango, Gap and H&M. In fact, Mango has more stores and operates in more countries than Zara. Due to the nature of the industry, it is quite easy for competitors to copy the innovation designs and output of Zara's clothes. Also, customers prefer Zara to keep up to date with changes in the fashion industry. As Zara is able to do so, this helps to improve brand loyalty as customers will be more willing to make repeat purchases. Thus, Zara's objectives are directly affected by the degree of innovation in the industry.

Zara relies on a Just In Time (JIT) stock control management system to ensure it can operate efficiently. This is particularly important in the fashion industry where things change very quickly. Stockpiling clothes could be disastrous as excess stocks of unfashionable (last season's stock) would damage the company's cash flow and liquidity position. This means Zara needs to have a very close and good relationship with its suppliers so they can trust deliveries can be made promptly. However, if managed properly, JIT would reduce the cost of storage and in the long term it benefits Zara through decreased cost. This will please managers, directors and shareholders of the company who gain from the higher profits of the company.

However, the inevitable changes in the clothing industry can have negative impacts on Zara's employees. Changing designs of clothing products every two weeks or so at Zara can put pressure on employees to innovate and adapt continually. They may only just become familiar with a new product line before more changes are introduced. This could be frustrating and demotivating, so Zara's objectives and strategies to motivate its employees may need to be reviewed regularly.

Overall, innovative changes at Zara through its continual introduction of new products directly impacts on its organizational objectives. This has, for example, resulted in a clear objective to operate an online shopping service in Korea, which has been very successful to date. Given the nature of the industry and Zara's market leadership, it will need to rely on its innovations to remain competitive against other multinational clothing retailers.

Marks

Criterion	Marks (out of 4)
A: Knowledge	
B: Application	
C: Reasoning	
D: Structure	
E: Individuals & Societies	
Total	

1. Examine the strategic and ethical implications of e-commerce in an organization of your choice.

E-commerce is the trading of goods and services over the internet, electronic platforms and computer networks. (K) This essay examines how 3M conducts business to consumer (B2C) and business to business (B2B) transactions through e-commerce strategically and ethically. Famous for its iconic sticky notes, 3M is a global innovation company based in the USA. (A) From abrasives to aerospace and aircraft maintenance products, 3M is a diversified manufacturer of products across many industries. It has global annual sales of around \$30 billion and employs 88,000 people in over 65 countries. (A)

Strategy in business means the decisions the organization has made in order to achieve its business objectives. (K) The potential of e-commerce influenced Inge Thulin, 3M's CEO, to extend the company's relevance to customers and establish a presence in the marketplace. (A) In implementing e-commerce, 3M invested \$20 million to restructure its information systems. (A) One of the benefits of this strategic investment is allowing 3M to support users from all of its strategic business units, partners and customers and integrate data from hundreds of systems worldwide. (R)

The new platform enables 3M to better connect with wholesalers, distributors, agents and retailers as well as individual consumers through its global network of e-commerce sites. (R) However, the downsides to e-commerce are that it is costly to initially set up and implementation requires constant upgrades as technology continues to improve rapidly. (R) The strategic implications of e-commerce to external stakeholders, such as 3M's business clients, are better stock control and personalization of orders. (I) Corporate clients would be able to track their stock orders and thereby benefit by ensuring their business processes are not delayed. Business clients can also reduce costly calls from customers inquiring about the status of their order. Personalization allows 3M's clients to provide specific requirements in their orders. This would allow 3M to increase chances of additional purchases by clients. Internally, it allows an individual senior manager to make fast and better-informed decisions. (I)

In 2006, 3M was investigating a more cost-effective and automated method for its salespeople to take orders, and provide real-time reporting for its head office. 3M hired the services of e-commerce software firm Ignify, a Microsoft Gold Certified Partner, and had a B2B online ordering portal live in just four months. 3M's Ignify e-commerce portal pushes information to sales people to provide access to near real-time stock levels. (R) This benefits 3M as there is a reduction in the shipment time, thus improving customer satisfaction and reducing overhead costs. (R)

For internal stakeholders like 3M's employees, such as its sales staff, e-commerce allows them to move away from a strict hierarchical reporting system. Instead, staff can adopt the use of cross-functional remote teams in order to deliver top service to customers. (I) Individuals from R&D, marketing, sales, and production departments work together in teams to focus on new product and market opportunities. This is part of 3M's corporate Six Sigma strategy to achieve near zero defects introduced since 2001. Thus customers enjoy high quality products from 3M. (A)(I)

However, one major concern is the reliance of 3M on a third party(I) to maintain and upgrade its database and e-commerce systems, raising concerns regarding security and privacy.(R) Thus this raises the issue of ethics. **Ethics** in business are the values and principles that influence how the people in an organization behave.(K) 3M uses a Global Internet Privacy Policy, which complies with all applicable privacy and data protection laws. The benefits of behaving ethically include customers(I) gaining trust in the brand.(R) There may also be issues concerning business partners(I) and other external stakeholders who share their personal information with 3M.(R) Thus, this forces 3M's internal stakeholders, such as Kimberly Foster Price, Senior Vice President of Corporate Communications, to be open and honest about 3M's information practices, making information available to interested parties and increasing information flow to the public.(I) For example, such policies were published in 3M's corporate website. It is also the responsibility of Julie Bushman, Senior Vice President of IT,(I) to ensure the security of confidential clientele information. 3M uses Secure Socket Layer technology to transfer personal information over the internet.(A)

In conclusion,(S) 3M pays a lot of attention to promote its company and brand through e-commerce as part of its business strategy, and acting in an ethical way. Despite some challenges in maintaining internet security and the costs of regularly upgrading its computer networks, 3M expects its online sales growth to continue, especially as an increasing number of both corporate clients and customers(I) now place most of their orders through the internet.

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of strategy and ethics are defined. The explanations of the concepts in the context of 3M are noteworthy. Relevant business management content (e-commerce) is explained.	4
B	3M is chosen as the business organization. Relevant examples are provided and are appropriate and illustrative in most areas. Discussions on ethics, while pertinent, was less detailed than the discussions on strategy.	3
C	Relevant arguments are made and are supported by reasonable evidence. Benefits and limitations of e-commerce are discussed in the context of 3M, although there is less of a balance within the body of the essay (there is greater emphasis on the positive implications).	3
D	All structural elements are present in the essay.	4
E	There are appropriate discussions regarding both internal and external stakeholders. Both individual and group perspectives are attempted, but there is a lack of a balanced consideration as negative implications to the stakeholders are not presented.	3
Total		17/20

Overall Comment

Examiners are expecting students to show a clear understanding of the concepts and content that are relevant to the title question. In this essay, definitions of both concepts (strategy and ethics) were given and there was appropriate use of business terminology, such as: e-commerce, B2B, B2C, internal stakeholders and stock control. This is one of the strengths of this essay.

Another strength of this essay was the use of specific examples related to 3M. Not only was there good application, but the examples used were also supported with reasoned arguments throughout the essay.

This candidate helped the examiner by indicating clearly which specific stakeholders (both individual and group perspectives) were being referred to. However, the candidate could have further developed the impact on an individual stakeholder (the CEO was referred to, albeit briefly) and a group of stakeholders (such as customers) as a basis for a balanced evaluation.

2. Discuss the consequences of a change in any combination of the STEEPLE factors for an organization's objectives and strategy.

Change refers to the adaptation of business organizations' objectives, strategies and operations in response to competition, new technologies and trends in consumer behaviour. (K) **Strategy** refers to the significant long-term planning decisions that organizations make in order to meet the needs and wants of their stakeholders. (K) AIA Hong Kong (AIA) is investigated in this essay in terms of changes in legal, technology and social objectives and strategies. (A) AIA is a well-known insurance company that exists to provide their customers with financial protection, security, and a comfortable future. (A) Given the nature of the industry in which it operates, AIA faces many challenges to serve the needs of people and companies in Hong Kong. (I)

STEEPLE analysis is an investigation to the external environment faced by an organization. (K) One change in the external environment that impacts on AIA's objectives and strategies is legal factor, such as legal rights, and health and safety regulations. (K)

On January 1st 2016, the Government of the Hong Kong Special Administrative Region (HKSAR) established the Office of the Commissioner of Insurance to oversee the healthy development of HKSAR's insurance industry and the protection of policyholders. (A) Every individual policyholder as an external stakeholder, is now required to disclose their financial situation to the insurance agent to prove that they are financially able to pay for their insurance policies. AIA's objective is "doing the right thing in the right way with the right people". Although this change increases AIA's expenses due to the compliance costs (R), it aligns well with its objective in doing the right thing (even if it costs AIA more to do so).

Ethics are a second STEEPLE factor affecting AIA's objectives and strategy. Bound by new changes to insurance regulations, AIA's agents cannot give any misrepresentation regarding any risks in investments. (A) For example, the insurance agent should never deceive customers about the terms and conditions of the policies. (A) The biggest impact of ethics is on the individual customer who may not have full knowledge or experience in financial investments and he or she needs to make informed decisions. (I) However, a constraint of AIA's strategy to address this is the need for time and money to train its employees. (R)

Another change in the external environment that impact on AIA's objectives and strategies is the technological environment. (A) Technology becomes more advanced over time and AIA needs to follow the trend to have better technological systems to support its daily operations more effectively and efficiently. (A) For example, e-applications have replaced the traditional paperwork for the insurance agents. (A) Agents can now complete the documents for a client using a one-stop process that includes application with e-signature and online payment using an iPad. (A)

Customers (an external stakeholder group) can download AIA's medical apps to search for nearby hospitals and panel doctors where their medical insurance provides cover. (I) This change in strategy benefits AIA's customers by improving convenience of getting the first hand information through online apps. (I) However, a limitation is network security and privacy. (R) Confidential personal data on the e-applications, such as medical history and bank account details, could be hacked, even if encryption is used. (R) Forbes magazine reported that during 2015, around 112 million health records were breached in the USA. (A)(R)

Finally, social factor such as demographic change also has a big impact on AIA's objectives or strategies. (A) In HKSAR, there is a rise in the proportion of workers with degrees. Thus in terms of workforce planning, (K) AIA's recruitment strategy is to attract more young people to join the company. (A) Ten years ago, the average age of its front line agents was 40 years old but in 2015, the average age of its agents in HKSAR was 27 years old. AIA has created a special graduate program to fast track employees to management positions in the company. (I) Thus a benefit of this strategy is the attraction of high-ability university graduates to join AIA. (R)

In conclusion, changes in the external environment factors (such as legal, ethical, technological and social factors) have a great influence on AIA's changing objectives and strategies. AIA has to continually adapt to changes in these STEEPLE factors quickly to remain its position as one of the strongest insurance companies in Hong Kong. (R)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	Both concepts of change and strategy are defined clearly. STEEPLE is defined. However, there is a lack of depth in the concepts. The candidate has used four aspects STEEPLE (legal, ethical, technological and social) which have been chosen in the context of AIA.	4
B	AIA (Hong Kong) was chosen as the business organization. Examples are used throughout the essay. However, they are often illustrative (arguably, these could apply to all insurance companies in HKSAR) and do not always lead to further in-depth analysis.	3
C	Relevant arguments are presented with evidence from the AIA, although the reasoning can be rather generic in places, without full justifications.	3
D	All structural elements are present in the essay. Legal, ethical, technological and social factors are discussed using fit-for-purpose paragraphs.	4
E	The perspectives of various stakeholder groups (customers and employees) are explained and examples are used to support discussions. However, the perspective of an individual stakeholder is missing, so 3 marks awarded.	3
Total		17/20

Overall Comment

To achieve 4 marks for Criterion A, sound understanding of both the concepts and content is expected. Given the time constraint, the candidate did well to explain four STEEPLE factors in the context of AIA. However, not all the examples provided were specific enough to AIA. Instead, generic examples were used, such as updates of IT systems; most business organizations do this, not just AIA. For Criterion C, counter arguments were provided in the essay. However, justification requires evidence to substantiate the arguments. This was not clearly evident throughout the essay.

All structural elements are present and thus the candidate is able to achieve 4 marks for Criterion D. In particular, separate paragraphs were used to discuss each of the chosen STEEPLE factors. For Criterion E, the candidate did not score 4 because an “individual” consumer (last paragraph of first page of the essay) cannot be considered with a “group” of consumers.

3. Examine how the concepts of change and globalization have impacted on the organizational structure at a company of your choice.

Apple is a company which produces electronic goods such as smartphones, laptops, music players and related electronic goods. Their products have been successfully selling for many years, with net profit peaking at over \$41 million in 2012. (A)(R) The organization has recently gone through a big change. The CEO has changed from Steve Jobs to Tim Cook. (A)

Apple has always had a traditional hierarchy structure, according to the Panmore Institute. (R) A hierarchy is where there are many levels of command within the structure, and an employee of a lower level would report to an employee of a higher level. This correlates with a long chain of command, which can lead to poor communication. (K) In this kind of organizational structure, employees may feel less motivated to be highly engaged in their work compared to employees in an organisation which has a flat structure, as they tend to have very little interaction with managers and other employees towards the top of the hierarchy. (R)

Adopting this structure at Apple, Jobs coordinated what was happening in the business through his subordinates reporting directly to him. He was well known for wanting to keep control to an extent. (A) Cook, the current CEO has moved away from the traditional hierarchy, changing the structure slightly. One reason for this is he has a less authoritarian approach to leadership than Jobs. (K)(A) This is an example of an internal **change** which has impacted on the organizational structure and other elements of the business operations. (K) It is well documented that Cook is more concerned with employee wellbeing and is less aggressive, meaning that communication between the different levels is likely to improve. (R) However, this may be because Jobs, when he became CEO for the second time, was dealing with a business which was not performing that well, meaning his leadership style was more appropriate at that time. (K)(R)

As Apple expanded into different countries over the years through globalization, it became more difficult for the CEO to keep full control of what is going on around the world. **Globalization** refers to international trade across national borders. (K) To an extent, Cook used centralization to ensure he and others at the top of the hierarchy had tighter control when operating globally. Centralization is where decision-making power is concentrated at the top. (K) This helps to ensure there is more consistency but it can be demotivating for those further down the hierarchy.

A centralized hierarchy could be considered beneficial to Cook as an element of control because decisions can be made much more quickly. This will also be favourable for shareholders, where time means money. However, it may be more appropriate for Cook to look to adopt a more decentralized approach in the future as it is not always efficient to run such a large organization in a centralized manner. Some employees will feel centralization is a disadvantage as there may be fewer opportunities for them to make a contribution. However, some employees may prefer to have a clear sense of direction rather than making important decisions. (I)

Overall both change and globalization have impacted on organizational structure at Apple significantly. Some changes such as the organizational structure have been subtle, but effective to date. In the long term, if Apple's rivals become more competitive and Apple cannot rely so heavily on its brand image, it may need to consider a different approach to its organizational structure, such as decentralization and a flatter structure to ensure further employee motivation and engagement where necessary.(R)

Feedback Sheet

Criterion	Feedback	Marks
A	The candidate has demonstrated good understanding of organizational structure, centralization and leadership. Knowledge and understanding of both concepts is good overall, but could be more explicit.	3
B	The concepts and organizational structure are applied to Apple, but depth is lacking and it tends to be superficial in places. Examples are provided but not illustrative e.g. Time Cook did not 'recently' take over as CEO.	3
C	Reasoned arguments are provided, with balanced consideration in places, for example reasoning as to why Steve Jobs was more authoritarian when he rejoined Apple. Justification needs to be clearer and less generic.	2
D	All the structural elements are included and the conclusion aims to answer the research question, while considering more long term implications.	4
E	There is a paragraph dedicated to stakeholders whereby the CEO and employees are considered in a balanced manner, however content is generic. Shareholders were also referred to but this point was not developed.	3
Total		15/20

Overall Comment

Examiners would expect to see relatively up-to-date application of the real world business for top marks. An area for improvement in this essay would be a clear illustration that Tim Cook has been CEO since 2011.

The business management content, organizational structure was comprehended and explained very well. However, to achieve top marks for criterion a, the candidate should have provided a clear and full definition of change and globalization.

The area where the candidate lost most marks was Criterion C, as the essay lacked substantiation throughout. For example, what evidence is there Apple has always had a traditional hierarchy?

However, the structure was good and the essay was easy to follow. There was also a good attempt to consider stakeholders in a balanced manner.

4. Examine the impact of innovation on promotional strategies for an organization of your choice.

Bandai Namco Holdings Inc. (Bandai) is a Japanese public limited company. It was formed from a merger between Bandai and Namco in September 2005. Bandai's core business is the production of toys while Namco specializes in the gaming market. (A) **Innovation** can be defined as an improvement in a process or a significant change in the goods or services provided by a business. (K) **Strategy** refers to a set of long term plans set to achieve certain organizational aims. (K) **Promotion** is one of the 4 Ps in the marketing mix and refers to methods of communicating messages to the market. (K)(S)

Bandai has recently collaborated with HarshPlay, a free app that combines both live streaming and virtual reality (VR). HarshPlay offers gaming, sports and music. (A) But the true innovation of this collaboration is its unique 360° locations for live streaming, gaming, sharing and watching in VR to all its customers. (A) The advantage of this innovation is gaining a first-mover advantage in the growing market of VR as a new form of advertising media. This has a major impact on Bandai's promotional strategies as it is able to place its 360° locations (as advertisements or brand presentations) using QR codes or links using mobile distribution channels. (A) However, a limitation of using VR networks as a promotional strategy is the need for customers to have VR headsets. Additionally, the adaptation rate of such users has been low. (R)

Bandai's CEO, Hajime Nakatani, (I) has a strong belief in the company's mission statement: "Innovation through creativity". (A) Thus the impact of innovation is creating a corporate culture of creativity among its internal stakeholders, from the CEO to each individual employee in all aspects of Bandai's operations and strategies. In this respect, Bandai collaborated with Disney's Pixar in the new animated movie, "Finding Dory". This could be an effective way to promote Bandai's brand as characters from the earlier movie, "Finding Nemo" were very well received. (R) Bandai produced playsets, feature figures, plush toys and bath toys that captured the essence of the film. The new iconic toy is Bandai's "My Friend Dory", an interactive soft figure which features 50 different phrases as Dory responds to various movements. However, from an ethical point of view, children may end up demanding their parents (through pester power) to buy more toys. Leveraging on pester power in promotional strategies could be deemed to be unethical. (R)

Another innovation is Bandai's partnership with Afero to create its next generation of entertainment products and services by means of Afero's internet of things (IoT) platform using connected devices. (A) Afero is a software company that specializes in providing businesses and developers with a one-stop platform for all connected devices, such as smartphones and even washing machines. (A)

The advantage of this innovation is it allows Bandai to promote its products while providing a secure connection between devices.(R) This is a new form of above the line promotion for the Bandai brand through the use of connected devices and cloud computing.(R) As mobile devices (such as smartphones, wearable technologies and tablet computers) become more popular, the use of the IoT platform gives Bandai greater access to more potential customers.(R)

However, the main limitation to this form of promotional strategy is that the IoT platform requires Wi-Fi for mobile devices to connect to the cloud. It would not be suitable for less developed economies which lack broadband infrastructure.(R) Also, whenever an individual customer interacts through connected devices, ever-more details about each precise situation can be tracked and recorded for marketing purposes. Thus, an implication to an individual stakeholder such as a customer of Bandai is privacy of information and personal data security.(I) Bandai's employees such as 3D artists, illustrators and animators, may face the danger of redundancies. As Bandai's marketing strategies shift towards IoT platform, some of its functions could be effectively outsourced.(I) Some of Bandai's artwork, 3D modelling, and even promotional trailers and videos were already outsourced to GamecoStudios, a leading digital and video games art company.(A)

In conclusion, innovation has a huge impact on Bandai's promotional strategies. Bandai's mission statement is crafted based on innovation through creativity. Bandai implemented innovative approaches using new technologies and strategic partnerships, such as Disney's Pixar, and created new promotional opportunities such as the IoT platform. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of innovation and strategy are both defined. Relevant business management key terms are used appropriately, e.g. mission statement, unethical, pester power, corporate culture and first-mover advantage.	4
B	Bandai was chosen as the real business organization. Examples are used throughout the essay, although some examples of promotional strategies (such as pester power) were rather generic in nature.	3
C	Relevant arguments are presented with supporting evidence from Bandai. Both positive and negative implications of the innovations were presented, but the reasoning provided for the IoT was less clear. Nevertheless, this does not detract from the overall quality of the reasoning provided, so full marks are awarded.	4
D	All structural elements are present.	4
E	Individual and (stakeholder) group perspectives are discussed in the context of Bandai.	4
Total		19/20

Overall Comment

This essay provided succinct and sufficient background information about the chosen business organization (Bandai). It contained the key definitions of the concepts (innovation and strategy), and relevant business management terms were used throughout the essay. Appropriate real-world examples are also used, which shows good application and supporting evidence.

In general, examiners expect that candidates provide at least two arguments for and against to qualify for a balanced response. Here, advantages of innovation such as enhancing brand awareness and creating a culture of creativity were discussed. Privacy and ethical issues were the disadvantages of innovation raised in this essay, with their implications on various stakeholders.

5. With reference to an organization of your choice, evaluate the impact of change and globalization on its growth.

Many businesses aim to expand, grow and evolve in order to achieve higher sales and profits. This essay will focus on explaining the relationship between globalization and the growth and evolution (change) of Belle International (Belle) in terms of its impacts on various stakeholders. Belle is a footwear company founded in 1978 and is known as the No.1 (as it is the largest) women's shoe retailer in China, with 22% domestic market share.(A) It is involved in manufacturing, distributing and retailing of the company's brands, such as Belle, Staccato, Teenmix, TATA and Joy & Peace.(A)

Globalization is the process of ever-more integration and interaction between people, firms and governments of different nations, and is facilitated by international trade.(K) From a Belle's perspective, globalization aids the process of expansion (growth and evolution), enabling it to earn more profit by operating across the globe. For example, Joy & Peace makes quality European footwear, with Italian footwear craftsmanship but serving mainly an Asian market such as Hong Kong, Macau, China and Malaysia.(R)(A) Belle is also a strategic partner of European shoe makers of licensed international brands such as Clarks England, Caterpillar and Hush Puppies. It is the largest distributor of these brands in China.(A)

Globalization has meant that Belle operates on a much larger scale, with its shoes and related products sold in over 150 different cities.(A) Hence, Belle can take advantage from having economies of scale (lower average costs of production) due to the ability to buy raw materials (such as leather) in huge bulk and the use of highly efficient machinery (which smaller firms cannot afford). This ultimately results in higher profit margins earned on each unit of shoes sold.(K)(R) This in turn has resulted in more employment opportunities.

On the other hand, a limitation of being a large, global company is the potential to encounter diseconomies of scale as a result of issues like miscommunications and ineffective command and control. This might also be due to cultural clashes in different overseas markets.

Change refers to how competition, new technologies and market trends lead organizations to adapt its operations and strategies.(K) In an ever-globalized market, it is important for Belle to adapt to changes in fashion, consumer preferences and technologies (such as e-commerce being used to sell/buy women's shoes). With the threat of global competition, it also becomes more difficult to earn customer loyalty.(R) In this respect, Belle chose to develop certain brands in response to changes in demand from the rising middle-class consumers in China and Macau. Another change was branding for different market segments, e.g. Teenmix provides style for the teenage consumers while TATA provides fashionable shoes for female consumers in their 20-30s. In contrast, Staccato is dedicated to the working female who prefers European footwear, while FATO is Belle's line of men's shoes for the affluent group of male customers.(A) However, Chinese consumers often change their brand loyalty between foreign and local brands as fashions change continually.

The CEO, Baijiao Sheng, believes it is crucial to lead Belle on the path of globalization to future its growth. Greater sales revenue means better remuneration through bonuses and pay.(I) The same would apply to his managers and employees.(I) Customers have also gained from Belle growth in international distribution networks, giving them choice and convenience.(I)

As a conclusion, the impact of change and globalization has been significant in influencing Belle's growth. Despite some possible limitations of change and globalization, there have been evident opportunities gained by Belle, such as its ability to exploit economies of scale and to partner with other shoe makers in Europe.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of globalization and change were defined, with supporting examples provided. There was appropriate use of business management content (such as economies of scale, profit margin, market segment and brand loyalty).	4
B	There is good application of Belle. The candidate clearly knows some good facts about the company, including its brands and market segments. However, not all examples were substantiated or developed, e.g. the rising middle-class consumers in China and Macau.	3
C	Relevant arguments are presented with evidence from the company chosen. Positive and negative aspects of change and globalization were discussed. There were lapses in some of the arguments, e.g. paragraph 4 is a hypothetical response, without justified reasoning being provided.	3
D	All structural elements are present.	4
E	There are references to internal and external stakeholders throughout the essay. Individual and group perspectives were discussed but these were unbalanced or lacked depth in places.	2
Total		16/20

Overall Comment

There was a good attempt to use a range of business management terminology to demonstrate knowledge and understanding. Real-world examples provided illustrative application to the underlying business content and arguments presented. The use of connectors (such as “however”, “despite”, and “on the other hand”) allowed the essay to gel together and score well for structure (Criterion D). For Criterion E, the candidate was able to identify relevant individual and group stakeholders but did not go further than that in terms of discussing positive and negative impacts.

6. With reference to a multinational company you have studied, examine how stakeholders have been impacted by change and globalization.

Bershka is an international fashion retailer, formed in 1998 and is part of the Inditex Group. The Inditex Group owns brands like Zara, Stradivarius and Pull & Bear. Bershka has expanded to trade globally with stores all over the world. Bershka has over 1,000 stores and makes up about 10% of the sales of the Inditex Group. Bershka targets their clothing at a younger market and sets a low price so it's affordable for their customers. (A) Like all businesses, Bershka has various stakeholders to keep happy, especially when dealing with organizational change and globalization. A **stakeholder** is an individual or a group that has a direct interest in what a business does. (K)

Bershka is located throughout the world, such as China, Spain, Belgium and so on. (A). The CEO of Inditex, Pablo Isla (I) wants to expand to even more countries as this is likely to increase market share and they can become better known worldwide. (R) However, as Bershka gets more popular prices might begin to rise. If Bershka becomes a market leader, they could gain higher profit margins by charging more for certain products, but lose their original identity as a low price supplier. (R)

On the other hand, customers in new markets will be happy about the new retail option at Bershka. Therefore, the CEO has to put a very careful strategy in place, following detailed market research, to ensure the needs of new and existing customers are met. Bershka's worldwide presence has been possible through **globalization**, which is where world economies become more integrated and a greater number of businesses trade internationally. (K)

A policy of Bershka and the Inditex Group is to **change** their designs every 2-3 weeks to keep up with the fashion trends one of their main objectives (A). The constant change of designs can put pressure on the designers. Bershka employs around 300 designers who have to come up with 35,000 designs every year to live up to the expectations of the customers. (A) This constant pressure of changing designs and being up to date has a huge impact on the employees. Workers could feel less motivated because they might not have enough time to meet these expectations; it might even mean some of them copy the ideas of other designers from other firms. (R) In the long term, such pressures could damage the reputation of Bershka. On the other hand, some employees may enjoy the challenges and autonomy of coming up with creative ideas under a short period of time.

The change in designs has a positive impact on the customers of Bershka, (I) as they have more options to choose from. Their online store makes all items available, so if it's not in the store they will have it online. However, a customer may go to buy a product and find that it's no longer being sold, and end up with frustration and dissatisfaction about this change.. (R)

Overall, change and globalization have had a positive impact on Bershka's stakeholders, as it has grown into a well-known brand and has stores in 71 countries around the world. Customers are able to buy Bershka clothing, thanks in part to globalization and the company meeting its customers' needs and by keeping up-to-date with new trends and changes in the clothing industry. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	An implicit knowledge of change and a good understanding of globalization was demonstrated. There were opportunities to explore relevant business management content in more depth.	3
B	Application is good in places but sometimes lacks depth (such as in paragraph 3). Examples are also good in places, but they are not illustrative throughout the essay.	3
C	Reasoned arguments are presented, but mostly unjustified. Some of the points made lacked relevance or reasoning, e.g. how globalization meets the needs of Bershka's customers.	2
D	The essay is structured well, but ideas are not always clearly organized. The conclusion is sound.	3
E	There is a balanced consideration given to various individual and group stakeholders: the CEO of Inditex, customers and employees.	4
Total		15/20

Overall Comment

For a higher grade, the candidate could have demonstrated a more detailed knowledge and understanding of stakeholders by referring to, for example, internal and external stakeholders, or conflict brought about by change and/or globalization. While the candidate did use examples of change, there was no attempt to directly discuss or define the concept.

The candidate chose to discuss some arguments which made substantiation difficult. This was certainly the case when the student discussed the impact on designers – this was a theoretical answer, so does not show appropriate application or good reasoning.

Due to the nature of the question, the candidate effectively discussed a range of different stakeholders throughout the essay, most of which were approached in a balanced manner. The conclusion was also effective, summarising the main points in a balanced way, and relevant to the title question.

7. Discuss the implications of cultural differences and globalization on the international marketing for an organization of your choice.

BreadTalk Group Limited (BTG) started as a local boutique bakery in Singapore and eventually grew to become a multinational food and beverage business with operations in over 16 cities across Asia. Now BTG is a conglomerate of bakeries, restaurants and food atria. (A) To become a global brand, BTG needs to be able to market its local Singaporean food culture in foreign countries. This is referred to as **international marketing**. (K) Outside of Singapore, BTG faces higher levels of competition, along with different customer demands and expectations. The impact to BTG's stakeholders varies as it is a public listed company on the Singapore Stock Exchange.

One implication of globalization would involve BTG's food exports to countries where there are differences in national **cultures**. This refers to the commercial transfer of BTG's Singaporean food and beverages to other countries where customs and norms are different. (K) namely BTG's signature pork floss bun dish (which is a very local Singaporean favorite). Eating these buns may be a new experience to customers in other countries and cities, such as Beijing where dumplings are very popular. When it comes to cultural differences, there is a risk of non-acceptance by overseas people. (R) To overcome this, BTG's international marketing strategy involves adapting the marketing mix that is tailored for each foreign territory. Through creativity and originality, BTG has cultivated new food cultures across its bakery, restaurant and food atrium divisions. By infusing creative differentiation in BTG's international marketing strategy, the company has been successful in market development of its proprietary brands such as BreadTalk, Toast Box, Food Republic, RamenPlay and The Icing Room. (A) Despite cultural differences, through successful international marketing, culture exports could allow BTG to grow by providing new products in new markets (product development in Ansoff's matrix). (R)(K) In fact BTG's growth over the recent years showed the success of its international marketing. The successful international marketing of BTG allowed the CEO, Tan Aik Peng, to earn S\$1.9 m in remuneration. (I)

An advantage of incorporating cultural differences in BTG's international marketing strategy is building stronger connections with its customers and facilitating better brand awareness. (R). Selling bread in Shanghai was a challenge for BTG as the locals viewed SGD \$1.30 for its bread to be too expensive, as bread is not a main staple compared to rice noodles and steamed dumplings. (A)(R) BTG's market research found that the Chinese people have more of a preference for salty savory foods. (R) BTG's food court business in China was not making profit for several years as locals are not used to self-serving counters compared to BTG's Singaporean market where dining in food courts is a standard way of life. (A)

However, the globalization of new dining concepts overseas could have implications on various stakeholders of BTG. Local restaurants will face greater competition. (I) The promotion of more sugary products in BTG's Middle Eastern markets through international marketing could lead to more health problems such as obesity and diabetes, attracting the unwanted attention of pressure groups and the media. (I) Cultural differences could arise from the way sugar is consumed in different markets. (R)

In conclusion, while globalization allows expansion opportunities for BTG, the success of its international marketing depends largely on how customers perceive its brand, (I) which in turn is affected by cultural differences (such as differences in language, values and national customs). Cultural differences could mean what is popular in Singapore may not be so in other countries. (R)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concept of culture is covered well, but globalization has not been defined. Relevant business management terminology have been used appropriately, e.g. cultural exports, international marketing strategy, market research, remuneration and pressure groups.	3
B	BreadTalk was chosen as the real-world business organization, with good application shown. Relevant examples are used to illustrate cultural differences (such as the pork floss buns) and international marketing (such as difficulties marketing the S\$1.30 bread products in China).	4
C	There are balanced arguments regarding cultural differences and the impact of globalization, supported with evidence in most places. There was mention of BTG adapting the marketing mix for its different markets, but this was a rather sweeping statement.	3
D	All structural elements are present, including the use of fit-for-purpose paragraphs.	4
E	Internal and external stakeholders are considered, such as pressure groups, customers and competitors. Both individual and group perspectives are discussed, but only very briefly about the CEO's remuneration. Discussions could have been more balanced, such as both positive and negative impacts on stakeholders being considered.	3
Total		17/20

Overall comment

The candidate should have presented definitions of both concepts (globalization was not defined). There was good understanding and application of relevant business content, although not always developed, e.g. the Ansoff matrix. This prevented the candidate from achieving full marks for Criterion A. There was good illustration of real-world examples that warranted top marks for Criterion B. For Criterion C, there was evidence of balanced arguments supported with real-world examples in most places. All structural elements were evident in the essay so this allowed full marks for Criterion D. There were references to both individuals and groups of stakeholders, but examiners expect more meaningful consideration of the impact to the stakeholders, such as the impact on local restaurants (not just a sweeping statement about greater competition). Mentioning an individual stakeholder without developing the discussion is not recommended. Thus, the candidate did not get full marks for Criterion E.

8. With reference to one or two organization(s), discuss how ethics and culture influence the way firms target consumers in different markets.

Identifying a target audience of consumers is of great importance for a new business organization. A **target market** refers to a specific market segment that a business aims to focus its marketing efforts on. (K) The ability to distinguish between different target audiences makes it possible to determine a particular consumers segment. In context of British American Tobacco (BAT), there are significant implications of ethics and culture affecting the ways it targets consumers in different markets with its tobacco products. (A)(I)

BAT's targeting of young consumers in Kenya was called into question. Moral guidelines of business practices are referred to as **ethics**. (K) BAT was accused of using advertising and promotional methods in Kenya that are banned in the UK, by associating smoking with sports and fashion. Pressure groups such as Christian Aid and Friends of the Earth attributed BAT's hugely successful marketing to Kenya's shockingly high smoking rate where more than half the adult population smoke. (R) There are also reported cases of many young children smoking too. BAT was heavily criticised for focusing its marketing strategy on encouraging loyal customers. However, in context of tobacco products, this means addiction. Thus the example of Kenya raises ethical issues about how BAT targets its products at consumers.

On the other hand, in developed countries such as Singapore, the Tobacco Act was implemented in March 2016 to de-normalize tobacco use, reduce the exposure to juveniles and non-smokers as well as to restrict the advertising effect of point-of-sale tobacco product displays. Similar legislations have also been implemented in Australia, Canada, Iceland, New Zealand, Thailand and the United Kingdom. Tobacco retailers in Singapore are now mandated to use storage devices to keep tobacco products out of the direct line of sight of customers. Retailers will have to use a text-only price list to communicate the tobacco products on sale with customers. (A) This heavily limits the ability of BAT to directly target customers in retail stores in countries such as Singapore, Australia and the UK. (R)

Internal stakeholders such as BAT shareholders and its sales team (I) will be concerned about its tobacco sales due to these changing ethical considerations. Nicandro Durante, the CEO of BAT, may receive less bonus pay-out should BAT's tobacco sales fall. (I) Indeed, shareholders are likely to receive less dividends in such as case. (I) Customers will find it harder and more expensive to buy cigarettes. (I) Tobacco producers such as BAT will find it even harder to target customers. (I) BAT also needs to implement its own internal guidelines in order to meet particular country's demands. With this in mind, BAT formulated a Sustainability Agenda, which comprised of harm reduction, sustainable agriculture and farmer livelihoods and corporate behaviour. However, businesses cannot expect to use the ethical principles from one country and have success in another country (R) which is why culture also needs to be considered.

Culture is another important factor in influencing how BAT targets consumers in different markets with their products. Culture can be referred as the traditional beliefs, customs and practices of a country or region. (K)

China's smoke addiction is ingrained in its history. Tobacco was heralded by military generals to have morale boosting powers and was crucial to the military dating back centuries ago. Now in modern Chinese culture, offering cigarettes to strangers to start a conversation is a social etiquette. Serving a cigarette to others is considered good manners. In many places in China, the particular brand of cigarette also represents one's social and economic status. The presence of domestic tobacco manufacturers means there are many types of cigarettes available in China and a big price gap exists between different cigarette brands. BAT's other tobacco competitors, such as Panda and Chunghwa are symbols of prestige in China, the world's biggest yet fastest growing tobacco market. More than a quarter of China's 1.2 billion population are smokers with the largest segment being the 65% of adult men who are smokers. Many provincial ordinances ban sale of cigarettes to minors and there are national laws on juvenile smoking. However, inconsistencies in local law enforcement of advertising bans allow BAT to target different segments in China. (A) Thus, BAT's shareholders can enjoy greater returns from their investment as China is a key market for BAT. (I)

However, the World Health Organization warned that one-third of all Chinese men alive today will die from lung cancer and tobacco-related illnesses. Other pressure groups in Beijing are petitioning the central government to sign up to the United Nations Framework Convention on Tobacco Control, which mandates it to enforce tighter restrictions on cigarette marketing and consumption. However, China's own large domestic tobacco producers may lobby this to protect their own interests. (I)

To conclude, the ability of a business to target consumers in different markets with its products, whilst considering ethical and cultural dimensions, is vital as it contributes to the overall success of the organization. Whilst understanding more about the culture of the target markets enables businesses to attract more customers, BAT has a tough balancing act in satisfying its stakeholder groups as ethical issues of selling more tobacco products can be very contentious. (I)

Feedback Sheet

Criterion	Feedback	Marks
A	Both concepts (culture and ethics) have been discussed in depth. Relevant business management terminology has been used effectively.	4
B	There is good application of BAT, with relevant examples used throughout the essay to illustrate the impact of culture and ethics on BAT's target marketing.	4
C	Relevant arguments are provided throughout the essay, although they do not always directly address the way BAT targets consumers in different markets.	3
D	All structural elements are present, including the use of fit-for-purpose paragraphs.	4
E	Internal and external stakeholders are considered and supported with examples. Group perspectives were discussed, but there was a lack of discussion from an individual stakeholder's viewpoint.	3
Total		18/20

Overall comment

For Criterion A, there was good understanding of both concepts as well as content knowledge of target marketing. The real-world examples in the essay were well applied to illustrate target marketing in Criterion B. The candidate had clearly researched BAT's operations. For Criterion C, improved counter-arguments would have enabled the candidate to score full marks. The essay fulfilled all the structural requirements for Criterion D. In Criterion E, the candidate did not go beyond just mentioning who the CEO was. There could have been an explanation of how his bonus is related to (global) sales. Thus the maximum mark is 3 for Criterion E.

9. With reference to an organization of your choice, discuss the importance of innovation and ethics on marketing.

Marketing refers to the management process of identifying, anticipating and satisfying consumers' requirements in a profitable way.(K) It involves meeting the needs and desires of customers by ensuring the product, price, place and promotion are effective in encouraging customers to buy the firm's products.(K) Many factors affect how a business makes its marketing decisions, such as innovation and ethics. In this essay, I will be looking at the marketing of Coca-Cola, the largest drinks manufacturer in the world, and how its marketing is affected by innovation and ethics. Founded in 1886, it needs innovative and ethical marketing to ensure that a company as old as Coca-Cola can survive.(R)

Innovation can be defined as the incremental or radical improvement of a business product or process.(K) This could include new business ideas for a product, or the improvement of an existing product. In this essay I will refer to **ethics** as the moral implications governing a business decision.(K) When a business makes a certain decision, there will be opinions on the morality of that decision, by the public especially, for a large multinational like Coca-Cola.

In 2013 when Pakistan and India were at political odds, Coca-Cola introduced the "Coke Small World Machines", where a vending machine was placed in both Pakistan and India with interaction video communication devices, allowing customers to see other customers across country borders. This innovative idea used the machine to dispense a can of Coke to the customers on both sides if they completed friendly actions, such as waving to each other or touching hands on the screen.(A) The purpose was to promote happiness and friendliness between two countries at odds with each other, with the intention to allow citizens of both countries to forget about their political struggles with each other. Not only was this innovative, but to the local customers of India and Pakistan, this was also deemed to be a very ethical marketing decision, with Coca-Cola acting in hopes of improving the dispute.(I)(R) This marketing campaign helped Coca-Cola to improve its brand image across the world. We can see how an ethical matter influenced Coca-Cola to promote itself in India and Pakistan.(R)

Coca-Cola also introduced the innovative "Friendly Twist Cap". The product was such that the bottle of Coke could not be opened unless it was fitted with another Coca-Cola Friendly Twist Cap. This product allowed more social interaction between customers in order to spark happiness, by acting as a friendly medium to start a conversation.(I) This product was also a success on social media. This provides potentially free marketing opportunities for Coca-Cola.(A)

With the innovation of fast and efficient technological devices, e-commerce has become a very powerful tool for marketing. For example, with customers sharing stories about this innovative product, this acted as a very fast medium for word-of-mouth promotion, further helping Coca-Cola to market its product.(K)(R) Through an innovative business idea, such as the Friendly Twist Cap, and taking advantage of the internet, we can see how innovation has affected Coca-Cola's marketing of its brand.

In conclusion, customers in Pakistan and India were greatly and positively affected by the ethical promotion of Coca-Cola's Coke Small World Machine. Shareholders of Coca-Cola also greatly benefited from this marketing decision, as it greatly improved the company's reputation. The youth benefited from Coca-Cola's Friendly Twist Cap, as it was a fun and interactive way to socialize with peers. Also, a majority of the internet users are also within the younger demographic, and would have been greatly affected by this social trend. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	Definitions of the two concepts are provided, with relevant use of examples to show good understanding. There is relevant and competent use of business management content throughout the essay.	4
B	Application is thorough, with the candidate choosing to use two detailed examples. The candidate has clearly researched Coca-Cola carefully, with effective use of examples applied to the title question.	4
C	Relevant arguments are made and these are well justified, such as how ethical issues influenced Coca-Cola to promote itself in India and Pakistan. However, this was not sustained throughout all of the essay, e.g. the argument about e-commerce could have been developed.	3
D	All structural elements are present, with good use of fit-for-purpose paragraphs. The conclusion is summative and concise, and directly answers the question.	4
E	Only one stakeholder group is considered in sufficient depth (customers), so the maximum number of marks is 2.	2
Total		17/20

Overall Comment

This is a very good essay. It shows that candidates do not need to write a long essay to gain high marks. Criteria A and B are dealt with very well, as the candidate demonstrates a good level of understanding of the concepts and business management in the context of Coca-Cola.

Criterion E was not tackled well. It is important to remind students about the assessment criteria. For 3 or 4 marks, at least two relevant individual or group perspectives must be suitably considered. A balanced approach (such as the customers who win and those who lose) must be provided to gain full marks.

10. Examine how change has impacted on the outsourcing strategy for an organization of your choice.

The Coca-Cola Company is an American multinational beverage corporation, which manufactures and sells soft drink concentrates and syrups. A key factor of being a successful globalized business can be an **outsourcing strategy** – a method of reducing production costs by transferring non-core internal business activities to external firms.(K) The outsourcing method used by Coca-Cola had both positive and negative impacts on different individuals and stakeholder groups because of changes implemented by Coca-Cola.(S)

Changes in Coca-Cola's production plans through outsourcing, such as the production of its bottles, brought lots of advantages for the business.(A) Coca-Cola chose to license a group of independent bottlers while imposing strict quality control.(A) This outsourcing method was very innovative at the time. Some years later there was conflict between Coca-Cola and its outsourced, independent bottlers. Coca-Cola had bought out several bottle-making alliance partners to develop its own internal capability, and the bottling company Coca-Cola Enterprises was founded. However, this turned out to be very expensive, so Coca-Cola decided to outsource its bottling production again.(R) The change in cost and profit margin therefore meant Coca-Cola implemented a change whereby outsourcing was reintroduced.

Change in this case refers to the modification of the production strategy Coca-Cola was using. This was a disadvantage for employees working at Coca-Cola's bottling plants as many were made redundant when the firm decided to outsource. However, it was advantageous for the employees at independent bottlers as their jobs were likely to be more secure with Coca-Cola's business.(R)(I)

It wasn't only bottling production that the Coca-Cola Company outsourced. It also outsourced production activities which involved extracting and refining processes for beverage ingredients.(K) Monsanto Chemical Company had provided saccharine and caffeine to the Coca-Cola Company.(A) Coca-Cola reduced labour costs as outsourced employees are not directly part of its organization. Moreover, this is beneficial for its shareholders(I) as the outsourcing strategy, part of its long term plans, allows Coca-Cola to reduce costs and therefore increase profits.(K)(R) Also, Coca-Cola has created more job positions for low income groups through outsourcing, for example, sugar cane farmers in El Salvador.(A)

On the other hand, there were several unethical practises highlighted by the media which affected Coca-Cola's brand image. The exploitation of child labourers in El Salvador sugar cane fields, one of the company's subcontractors, resulted in lower sales temporarily(A)(R). Sugar cane farming is known to be a highly dangerous agricultural activity and children are injured frequently.(I) Coca-Cola's CEO, Muhtar Kent, will need to consider this because his reputation and the corporate image will be damaged if news of child labour is not dealt with. If he shows an effort to deal with the issue and ensure ethical standards of the company's outsourcing strategy are applied, it could in turn improve his and the organization's reputation.(I)(R) This event had a positive impact on the changes Coca-Cola made and they have continued to use outsourcing in a more ethical manner.

To conclude, Coca-Cola is using its outsourcing strategy to boost its profits by reducing overall costs of production, but some drawbacks can be found in LEDC countries. However, through mistakes made, Coca-Cola has learnt how to become more ethical and ensure fair treatment of its employees in its outsourcing strategy. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is relevant use of business management content, such as outsourcing and quality control. The explanation is sometimes rather descriptive. There was an attempt to define both concepts, but the explanation of change is somewhat clearer than 'strategy'.	3
B	The concepts and business management content are generally well applied but this needs to be developed further. More contemporary examples could have been provided.	3
C	Balanced arguments have been included, although the reasoning provided is limited in some areas, e.g. there is no explanation of why outsourcing of the bottles "was very innovative "at the time" (paragraph 2). There are more justified than unjustified arguments, so the best fit mark band is 3.	3
D	All structural elements present, and there is an attempt to include fit-for-purpose paragraphs. However, the conclusion does not directly answer the question (ethics are not part of the title question).	3
E	Balanced consideration is given to the CEO and employees at Coca-Cola or those working for subcontractors. There is also consideration of the outsourcing strategy on Coca-Cola Company's shareholders.	4
Total		16/20

Overall Comment

A limitation of this essay is that it is too descriptive in some places. The candidate seems to know a lot about the history of outsourcing at the Coca-Cola Company. The example of outsourcing (ingredients) to farmers in El Salvador was good, but the essay would have benefited from more contemporary examples.

The candidate could have improved the quality of the essay by providing (approximate) dates for the events mentioned. For example, when did Coca-Cola decide to use subcontractors for bottling for a second time?

The candidate considered employees of Coca-Cola and its subcontractors (such as sugar cane farmers in El Salvador) in a balanced manner. This was also the case when discussing the CEO, the individual selected for Criterion E.

11. With reference to two multinational organizations that you have studied, compare the cultural differences in the way their products are strategically positioned.

The two multinational organizations that I have been studying are Dunkin' Donuts and Mercedes-Benz. Dunkin' Donuts is an American worldwide doughnut company and coffeehouse chain based in Canton, Greater Boston. Mercedes-Benz is a global company that specializes in the production of luxury automobiles. (A) Since both of the companies are multinational companies, they have to deal with different cultures. **Culture** in business means that organization operates in a range of environments in which its role may be interpreted differently. (K) These expectations affect planning, decision-making and strategy implementation. Within an organization, values and backgrounds influence what stakeholders such as employees, managers and directors focus on and how they work. (I) **Product positioning strategies** refer to the ways an organization seeks what it is in the eyes of their customers. (K)

Back in 1995, there was just one Dunkin' Donuts store in Beijing. The company plans to open and operate more than 1,400 Dunkin' Donuts restaurants across China over the next 20 years. (A) Culture differences between USA and China presented a significant risk and had a big impact on how the CEO, Nigel Travis, formulated his strategy for Dunkin' Donuts. (I) In terms of positioning itself through a brand identity, the American company struggled even with getting a name in China as the company name could not be phonetically spelled in Chinese characters that made any sense. It was finally decided to be called Sweet Sweet Ring in Chinese characters to target young adults. (A)

Local cultures also impacted flavours and taste preferences. In terms of product positioning, another marketing challenge faced by Dunkin' Donuts was very little brand awareness among Chinese consumers and most of the customers in China are foreigners. (A) Typically, new Chinese customers are puzzled by the product and brand. Dunkin' Donuts need make their Chinese customers feel comfortable ordering things they weren't familiar with. Therefore, Dunkin' Donuts needed to position themselves as a foreign brand with local flavours. (A)(R) Therefore, in US, Dunkin' Donut's menu mostly focused on food that are cream and sweet, but the Dunkin' Donut menu in China are mostly focused on local people's preferences. For example, in China, they have some very unique beverage offerings, including Rose Latte, Brown Sugar Latte, and Mango Coolatta. Donuts were localized to include both sweet and savoury donuts such as Chocolate Yeast, Boston Kreme, Double Chocolate Mochi, Beef Curry Donut and Seaweed and Dried Pork Donut. To external stakeholders like customers in China, they gain in terms of greater choice while at the same time appreciate access to a foreign snack food. (I) They could order plain Munchkins and choose between three savoury spices: curry, barbeque, and pizza. Dunkin' Donuts staff would put the spices into a bag, add the Munchkins and then hand it over to customers who were encouraged to continue shaking up their Munchkins. However, this means that internal stakeholders like the staff, needs extra training to learn to prepare a wide variety of food preparation. Consistency and quality standards are other issues that need to be considered. (I) Overall, successful use of product positioning allows Dunkin' Donuts to increase its sales in China. (R)

On the other hand, Mercedes Benz has had less challenges in positioning itself in China. Mercedes adopted a product positioning strategy as a producer of highly reliable and safe vehicles with a price premium that is associated with its quality and fine details. The Chinese auto market is rapidly overtaking the US as the world's most profitable and strategically important. Foreign-origin brands account for almost 70% of total Chinese sales. In Chinese culture, brand perceptions and the appearance of one's car are critical and status symbols. (A) How Mercedes Benz positioned itself has a big impact on its competitors. BMW in China is associated with the arrogant and wealthy officials, whilst Audi is synonymous with privilege and authority. (I) However, Mercedes Benz's positioning is shunned by young Chinese buyers as it is perceived to be a "retirement" car usually driven by much older buyers. Chinese consumers have also very strong views in terms of who drives a particular make and model and why. These perceptions often contradict how brands are perceived in the Europe.

In conclusion, these two multinational organizations used product positioning strategically. However, these strategies are influenced by different cultures such as tastes and preferences of the local people. By prioritizing what other customers love in different cultures, multinational organizations will be more successful in overseas markets. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is an attempt to define both concepts, although the definition of culture is not very clear. Relevant business management content focusing on product positioning has been well explained.	3
B	There is good application of both Dunkin' Donuts and Mercedes-Benz. Relevant and appropriate examples have been provided, and are illustrative.	4
C	Relevant arguments are made and are supported by reasonable evidence. However, Mercedes Benz's product positioning strategy in China could have been developed.	3
D	All structural elements are present.	4
E	Appropriate discussions on internal and external stakeholders. Individual and group perspectives were also discussed.	3
Total		17/20

Overall Comment

This essay effectively made use of business organizations that contrasted each other in terms of their positioning strategies. The use of linking words "on the other hand" helps to show flow of thoughts and good organization of ideas. The student also successfully applied real-world examples to support their arguments. Examiners are hesitant to give 4 marks for Criterion C unless the candidates show a balanced response, written in the context of culture and product positioning strategy.

It was specifically mentioned in the latest subject report that the mere mention of the CEO would not suffice. Impacts of strategy and culture on individual and group stakeholders, in context of product positioning in this question, must be explicitly written for full marks for Criterion E.

12. Discuss the role investment appraisal plays in business strategy and innovation for one or two organizations of your choice.

Incorporated in 2008, Minsheng Financial Leasing Co. (Minsheng) total assets have grown to be valued at over RMB 110 billion. Minsheng seeks to position itself as a premium private jet leasing firm by providing new and luxurious aircrafts that are fuel efficient. (A) Minsheng's strategic vision is to become the best private leasing company in China and Asia by creating brand awareness and becoming a globally competitive leasing company. Minsheng's **organic growth strategy** refers to the company's expansion by using its internal resources and funds with a long term aim to increase their scale of its business operations and revenue. (K) This provides value for money for its business customers. (I)

However, Minsheng needs to ensure profitability and good returns from investment for its shareholders. According to the latest available annual reports, although the Chairman, Dong Wenbiao and Vice-chairman Hong Qi received around RMB \$4 million, the cash dividend payout ratio has fallen by almost 50%. The Chairman is under great pressure to ensure greater profitability for Minsheng and higher returns to shareholders through its expansion strategy. (I) In this aspect, investment appraisal plays an important role in evaluating strategies. (A) **Investment appraisal** refers to numerical methods used to analyze the financial costs and revenues from the acquisition of an asset with a view to gain potential financial benefits. (K)

Using sales forecasting based on its annual lease revenue from the existing fleet of 300 aircrafts and proportioning to the new 60 aircrafts bought last year, a simple approximation of RMB 362 million annual lease revenue could be derived for this investment. With an initial investment of US\$2.6 billion, a payback period could be approximated by dividing this with a monthly contribution of RMB 30 million. (R) From this simplistic calculation, it would take approximately 44 years to recover the initial investments. (R) A payback period refers to the length of time before the investment generates sufficient revenue to recover the initial cost outlay. (K) Directors and managers may find this too long a payback period so reject the idea. However, if directors and managers are risk takers they may consider other qualitative factors that may give Minsheng longer term benefits such as increased market share through product development or even market development, increase in brand recognition and customer loyalty. (I) An expansion of its fleet of aircraft would allow Minsheng to provide more existing leasing services in existing markets (product development) or even to new markets (market development). (R) This acquisition presented an opportunity for Minsheng to pursue its long term strategic vision of being the best leasing company in China and beyond. (R) An implication to business travelers is greater convenience and more efficient services from Minsheng. (I)

While growth was the main intention of Minsheng's strategy, innovation seems to be the major driver for Facebook. (A) **Innovation** refers to how businesses generates new commercial ideas or make improvements to its products and services. (K) Facebook is basically an internet-based social networking service with a vision to "give people the power to share and make the world more open and connected." Facebook is a market leader among instant messaging (IM) apps, with 79% of total market share in the IM market.

Facebook continually innovates its IM tools with unique functions such as face recognition, self-destructing messages and Uber rides, which differentiates it from other IM tools.(A) Facebook's acquisition of WhatsApp, a mobile messaging app, stems from its over 450 million users each month. WhatsApp's group messaging function was reported to be increasingly used as a replacement for Facebook's groups function.(A) But with a price tag of US\$19 billion, internal stakeholders such as shareholders would question the merits of this investment. Thus, the role of investment appraisal allows a quantitative analysis of this takeover of WhatsApp. Assuming a monthly contribution of US\$15 million approximated based on its financial statement and an initial investment of US\$19 billion, an elementary computation of investment appraisal shows a payback period of over 600 years.(R) Clearly from a quantitative perspective, this is not a rational decision.(R) Facebook's shareholders have to be convinced that taking over WhatsApp would potentially allow new opportunities to provide more innovative features over mobile devices to its external stakeholders, Facebook users, while at the same time allow its internal stakeholders, directors and managers to fulfil the corporate vision.(I)

In conclusion, the role of investment appraisal in business strategy and innovation is to provide a quantitative assessment of financial costs and benefits for decision making. However, depending on the techniques used such as payback period, relying on investment appraisals alone could lead to a myopic or short-term perspective or bias towards financial gains in the long run.(R) Benefits and returns from strategies and innovation tend to be long-term and sometimes even be in the form of intangibles, such as brand image and brand loyalty and these are not considered in investment appraisals. It is an important planning tool as decisions made will have serious implications to various internal and external stakeholders.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of strategy and innovation are defined. Business management content (such as the payback period, acquisition and market share) are defined and/or explained appropriately. However, there is no mention of ARR or NPV in the investment appraisal).	3
B	Minsheng and Facebook were used as the real-world business organizations. Examples are used to illustrate their growth strategy (such as Facebook's takeover of WhatsApp) and innovations, although this could have been further developed when discussing Minsheng.	3
C	Relevant arguments for investment appraisal are presented, mainly with good justifications.	3
D	All structural elements are present.	4
E	Internal and external stakeholders are considered and supported with examples. Individual perspectives (such as the Chairman of Minsheng) as well as group perspectives (such as customers) are discussed. Coverage of Facebook's stakeholders could have been better developed.	3
Total		16/20

Overall Comment

This question would be considered difficult as it requires knowledge of financial information. This means prior research into the business organizations is needed for Criterion B. In this essay, there is good application of a real-world business along with worthy connections made between the concepts of strategy and innovation, and investment appraisal.

The essay also showed good knowledge and understanding as relevant key terms are defined well. The candidate was not very successful in presenting two arguments for and against the role of investment appraisal for business strategy and innovation, resulting in a lower mark band for Criterion C. All structural elements were present pertaining to Criterion D. Whilst individual and group stakeholders were identified in the essay, the impact on strategy and innovation should be made clearer in order to reach the top mark band for Criterion E.

13. With reference to an organization of your choice, discuss the importance of a unique selling point as a strategy in response to change.

Fairwood is a Chinese fast food chain co-founded by Mr Lo Fong Seong and by Mr Lo Hoi Fook in 1972. Its mission is “Enjoy Great Food. Live a Great Life”. Fairwood believes that people and customers should always come first.(A) Today, Fairwood employs 4,900 people in over 110 restaurants across Hong Kong and mainland China, serving 100,000 customers a day.(A)

Strategy is defined as devising plans to achieve the long-term goals of an organization.(K) A major strategy employed by Fairwood is the use of a market development growth strategy, which is considered a medium risk growth strategy that involves selling new products in new markets.(K) It has also strived to develop a **unique selling point** (USP). To a business, it is very important because by having a USP it can increase the loyalty and brand value.(R) The use of e-commerce is also part of its USP. For example, Fairwood launched an online platform which allows customer reviews and comments.(A) Fairwood can then use these comments for making improvements.

Fairwood recently launched a 3-year brand re-engineering program, to enhance its brand image and competitiveness. This strategy involves an investment of HK\$15 million to redesign the company’s logo and its menu.(A) Fairwood’s strategy gave the opportunity for Alan Chan, a famous Hong Kong designer, to create Fairwood’s new logo of a “jumping man”, symbolising the youthful and joyful energy to Fairwood’s customers.(A) It emphasizes the benefit to customers of healthy daily meals, served for their convenience.(I) This strategy was well received by the HK public, helping the restaurant chain to gain a USP.

Another USP of Fairwood is its special themed meals, based on Chinese festivals, such as Mid-autumn festival and Lunar New Year, which helps to encourage repeat customers.(R) Fairwood’s strategy of developing this USP involves market research to find out what customers want and how to fulfil their changing needs.

Change defined as driving forces and restraining forces creating an alteration or transformation of business operations in order to remain competitive.(K) Firstly, in response to changes in Hong Kong’s demographics, as more of the younger middle working class have less time to cook at home, Fairwood’s strategy includes rebranding its image to attract younger customers to its restaurants, e.g. by providing set meals which come with traditional Chinese “home-made” soup – a deliberate strategy to differentiate itself from Western fast food chains.(A) Fairwood also modified its marketing mix in response to such changes. For example, Fairwood invited actor To Man Zaak to promote its brand, endorsing the youthful and energetic message. Fairwood’s restaurants were renovated to provide customers with a feeling of happiness and relaxation. Its menus provided food items that are based on four different periods of time: breakfast, lunch, afternoon tea and dinner.(A) Lastly, Fairwood sets the price of its meals at reasonable prices that are affordable to the mass market, including the young working class.(A) The benefits to its customers are convenience, more menu choices and affordability.(I) Shareholder’s returns are increased, as a USP translates into increased sales revenue.(I)

However, one limitation of Fairwood's USP is its other competitors such as Maxim and Cafe de Coral can imitate its actions and strategies. They have offered similar set meals and menus for breakfast, lunch, afternoon tea and dinner. (R)

In conclusion, it is of strategic importance to Fairwood in creating a unique selling point. This allows Fairwood to build brand loyalty and increase its customer base. However, any USP in the highly competitive fast food industry in HK is often short-lived. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	Both concepts (strategy and change) were defined. Although there was discussion about Fairwood's USP, this was not defined nor was it made clear, e.g. e-commerce itself does not give Fairwood a USP.	3
B	There is some good application of Fairwood, especially in the introductory paragraph. However, application often lacks depth, such as changing demographics in HK and its impact on Fairwood's USP.	3
C	Most arguments are explained and justified. Discussion is descriptive in some areas, e.g. the candidate could have expanded on how Fairwood fulfils the changing needs of its customers.	3
D	All structural elements are present, with arguments presented in a coherent way.	4
E	External and internal stakeholders were considered appropriately. Individual and group perspectives considered, but the discussion is unbalanced in areas.	3
Total		16/20

Overall Comment

This essay shows how a local business organization in Hong Kong could be used effectively in terms of context for application. Quite often, candidates do better in the CUEGIS essay if they focus on local examples as they can better demonstrate their knowledge and understanding of the key concepts (strategy and change in this case).

Definitions of key terms that are relevant to the essay are vital for scoring top marks in Criterion A. Although the candidate used many business management content effectively, unique selling point was not clearly explained. Relevant real-life examples were used however, although some stopped short of in-depth arguments for score full marks for Criteria B and C. Overall, the essay was clearly organized and well structured. Positive and negative implications to individual and group stakeholders would have allowed the candidate to achieve full marks for Criterion E. Customers were seen to benefit from healthier choices and cheaper meals. Shareholders were mentioned but the implication was too generic. Also, negative implications were not presented.

14. With reference to an organization of your choice, discuss the impact of innovation on operations management strategy.

Foxconn is an electronics manufacturer, supplying smartphones and tablet computers to companies such as Samsung, Sony and Apple. In 2016, they reduced the amount of factory workers they were employing by 60,000 people so that they could become more capital intensive using **innovative** technologies.(A) This is an example of a radical innovation strategy to improve the production process.(K) By the end of 2016, Foxconn installed 40,000 production robots across its factories in China. Using robotics is a long term planning decision i.e. a **strategy**, so that a business can better meet the needs of its key stakeholders.(K)

The aim of this for Foxconn was to become more productive, which means resources are more efficiently used in the production process.(K) This is a very important element of operations management strategy, whereby goods (such as Apple iPads and iPhones, Sony's PlayStation 4 video games console, and Samsung smartphones) have to be provided to meet customer needs at the right quality level in a timely manner.(K)

The use of robotics in the production process has been introduced by Foxconn so they can improve productivity, which has resulted in the revolutionization of the manufacturer's operations management strategy.(R) The investment in innovative technologies will mean that more can be produced at a quicker rate, with fewer defects. Greater use of automation should also help Foxconn to benefit from economies of scale as higher levels of output help to reduce average costs of production. In theory, this is an advantage for customers as they are likely to benefit from price reductions.(I) However, with the average price of iPhones going up every year, this doesn't seem to be a benefit being passed on to Apple's customers.(R)

This innovative strategy used by Foxconn can also have various other negative impacts on stakeholder groups. One of the main problems is the loss of employment for the 60,000 employees at Foxconn.(I) However, the company did argue that there won't be long term job losses and that with training some of these employees can do more value added work, such as research and development.(A)(I) However, it is highly unlikely that all 60,000 relatively unskilled employees will be able to benefit from these opportunities at Foxconn.(R)

On the other hand, as increased productivity leads to cost savings and higher profitability, the staff that do remain at Foxconn may benefit from higher pay. This may then attract better quality employees to the firm.(R) However, this is unlikely following reports that the entry-level salary at Foxconn is just £180 per month and further cases of employee suicides in 2016.(R) In the long run, the use of capital-intensive technologies will improve the profitability of Foxconn, generating a greater return on investment for its shareholders.(I)

It can be concluded that innovative technology, such as greater use of modern robotics and automation, has enabled Foxconn (as part of its operations management strategy) to benefit various stakeholder groups at the cost of others. As the manufacturing giant pursues goals of improved productivity and lower costs, there will ultimately be winners and losers. In the long run, innovations in robotics and automation (with less reliance of labour) are likely to be embraced by rival manufacturing companies in the future, so Foxconn's strategy is essential to remain competitive and a market leader. (R)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good understanding of both concepts, demonstrated through definitions and examples throughout the essay. There is good use of appropriate business management terminology, such as economies of scale and productivity, which were generally well explained.	4
B	Application is good throughout, giving a good insight into the operations of the real-world organization. Several illustrative examples are used, e.g. reducing the workforce by 60,000 to become more capital intensive, the case of employee suicides at the factory and the entry level wage rate at Foxconn.	4
C	There are balanced arguments throughout the essay. Most of these are well justified, but there are some which are not, e.g. the comment about Foxconn benefiting from economies of scale is a sweeping statement.	3
D	All structural elements are present and ideas are clearly organized. The conclusion aims to summarize the long term impact of innovation on operations management strategy.	4
E	There is balanced consideration given to employees, shareholders and customers but an individual stakeholder has not been considered. The CEO of Foxconn, as an individual stakeholder, could have been discussed.	3
Total		18/20

Overall Comment

Application was particularly good in this essay, with the candidate providing a variety of different illustrative examples in the essay. It is clear the student has a thorough knowledge of Foxconn's overall business operations.

Most students find it difficult to achieve full marks for Criterion C, which was the case with this essay also. There were some well justified arguments, but this was not consistent throughout, making it difficult to award 4 marks.

It was a pity the candidate was unable to achieve full marks for Criterion E, as a student of this calibre should have a good understanding of the requirements of the assessment criteria. It is advisable that teachers get students into the habit of familiarising themselves with the CEO for each CUEGIS essay they write.

15. Discuss the role of ethics and innovation in the corporate social responsibility of an organization you have studied.

Fraser and Neave Limited (F&N) is a major player in the food and beverage industry in the Asia Pacific region. Nearly half of its annual \$2.4 billion sales revenue comes from dairies while 40% comes from soft drinks and beer. Its portfolio of established brands allows F&N to enjoy strong market leadership in Asia Pacific. (A) Being a public listed company in Singapore with over 9,000 staff worldwide, it is accountable to various stakeholders such as shareholders, employees and customers. **Corporate social responsibility** (CSR) of businesses have come under the spotlight as pressure groups have been lobbying governments to take action. (I) CSR is the continuing commitment by a business organization to contribute to economic development while improving the quality of life of all internal and external stakeholders such as employees, their families the local community and society at large. (K) To fulfil F&N's CSR, the CEO, Somsak Chayapong, (I) made innovation and ethics key drivers in its production of beverages.

F&N's remarkable growth is achieved through innovation by creating beverages that meet consumers' changing needs and preferences. Beverages are developed to promote healthier options for consumers, including products with added nutrients, reduced or no-sugar added. (A) **Innovation** can be referred to as improvements to or the generation of new ideas in relation to a commercial product, service or process. (K) F&N Dairies has set very high standards for its food safety, production efficiency, and energy usage. Its MES (Manufacturing Execution Systems) system allows F&N to improve its efficiency by operating at its maximum output and reduces costs related to production, logistics and inventory. (R)(A) This innovation allows F&N to manage and monitor work-in-process, keep track of all manufacturing information in real time, receive up-to-the-minute data from robots, and ultimately implement lean production. (A)(K)

The largest canned milk factory in the world, F&N's Rojana plant in Thailand achieved "100% First-Time Quality," a lean production standard that shows what parts are produced correctly without the need for inspection, rework or replacement. Thus innovation allows F&N to achieve economic sustainability in its operations management by using resources efficiently and in a socially responsible way. (R) About 140 million tons of raw milk is supplied to F&N's Rojana plant daily from seven dairy co-operatives in Thailand. Economic sustainability has also allowed F&N to achieve its return on investment in the Rojana production facility within one year and this allows the F&N's Board of Directors to justify to the shareholders the money investment in this off-shored facility. (I)

The Department of Livestock Development has identified problems of over grazing, thus undermining ecological sustainability as the capacity of nature to meet the demands of current generations are exploited at the expense of the ability to meet the needs of future generations. (R) Thai farmers resorted to the use of concentrates, industrial by-products and crop residues. (A) Thus, this led to ethical issues relating to the supply of raw ingredients to F&N. **Ethics** refer to the moral and social responsibilities of businesses. (K) As part of F&N's CSR to address these ethical issues, F&N introduced new technologies that help fresh milk cooperatives increase their productivity. (A) This is a positive impact on external stakeholders such as the milk suppliers of F&N. (I)

Business ethics can offer F&N a competitive advantage. Consumers are more discerning these days and learn to trust ethical brands and remain loyal to them, even during difficult times. (R)

Likewise, greater employment opportunities for the younger generation in rural areas led to labour shortages on the farms. To attract talented and skilled workers to work in its manufacturing plants, F&N uses a global human resource policy that places emphasis on continuous learning, strengthening leadership skills and promoting interactions between various stakeholders such as co-workers, customers and the community. (I)(A) CSR also includes social interactions between a business organization and its community to improve the quality of life. (K)

One of the advantages being an employee at F&N is the safe and healthy work environment where he or she feels motivated through a sense of belonging. (I) In Malaysia, F&N initiated a recycling campaign to actively promote the habit of the 4R philosophy (Reduce, Reuse, Recycle and Rethink) in 40 pre-schools, primary and secondary schools in Kuala Lumpur. (A) Working with the Department of Education Selangor, F&N is committed to inculcating lifelong 4R habits in children that would influence them to make greener choices in their adulthood. (R)

However, business ethics and CSR could reduce F&N's ability and freedom to maximize its profit. These improvements in working conditions, such as providing training, professional development and health and safety standards reduce the level of cost-savings for F&N. Despite this, it could be argued that these restrictions on F&N's freedom benefit the wider society, at least in the long run. (R)

In conclusion, innovation and ethics have a huge influence on F&N's CSR. These have a major implication to F&N's respective stakeholders. F&N's ability to establish itself as a leading and respectable brand (as a socially responsible corporate citizen), is evidenced by its ability to incorporate best practices to minimise the impact on the natural environment, contribute meaningfully to local communities and engage its stakeholders in a socially responsible manner. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of ethics and innovation are well defined, with relevant examples used to demonstrate depth of understanding. There is competent use of relevant business management terminology (such as inventory, sustainability and lean production) throughout the essay.	4
B	Relevant and contemporary examples are used to illustrate F&N's approach to CSR. The candidate demonstrated clear knowledge of F&N's operations.	4
C	Relevant arguments regarding ethics and innovation were presented, with justifications. The link between innovation and F&N's CSR could have been developed further.	3
D	All structural elements are present.	4
E	Internal and external stakeholders are considered with relevant examples used. Individual stakeholders such as the CEO was mentioned, but this some of the discussions could have been better developed.	3
Total		18/20

Overall Comment

The essay provided concise definitions and explanations of ethics and innovation, as well as CSR. This allowed the top mark band in Criterion A to be awarded. Good examples related to F&N were used throughout the essay with effective application to show good connections between ethics, innovation and CSR. This enabled the candidate to achieve full marks for Criterion B. To score 4 marks in Criterion C, a balanced response is required (arguments for against). In this essay, there was a bias towards positive arguments and there was only one negative argument regarding business ethics reducing F&N's "ability and freedom" to maximize its profit. Various stakeholders were mentioned in the essay, such as the CEO, milk suppliers (of raw milk), customers and the local community. However, the candidate needs to go beyond stating these stakeholders by evaluating the impacts of ethics, innovation or CSR on them. Moreover, the candidate had only mentioned positive impacts to the suppliers. Thus, only a maximum of 3 marks can be awarded for Criterion E.

16. For an organization of your choice, evaluate the growth strategies adopted in a globalized business environment.

Genting was established in the early 1960s by entrepreneur Lim Goh Tong. As a risk-taker, Lim Goh Tong successfully obtained approval from two state governments in Malaysia to develop a casino hotel-resort on the summit of 2000-m tall Mount Ulu Kali, just 55 kilometers from the capital Kuala Lumpur. (A) Since then the company has grown to become a multinational company and a public listed company. (A) The success of Genting can be attributed to its diversification and market segmentation strategies. (K)

These **strategies** are long-term plans to achieve the long-term goals of the organization, enabling Genting to grow in an increasingly globalized business environment. (K) **Globalization** refers to the breaking down of national boundaries and interconnectedness of markets across the world. (K) For example, Genting operates within ASEAN – a grouping of countries in Southeast Asia formed to promote cultural, political and economic development. Tariffs are exempted for trade within ASEAN and this has significantly facilitated Genting's growth. (A)

Diversification as a growth strategy refers to introducing new products to new markets. (K) For Genting, diversification from casinos to energy, plantation and biotechnology had boosted its revenue to RM\$18.1 billion. (A) Another advantage of diversification is that Genting can tap into new markets such as commodity markets for oil, gas and palm oil. (R) Intangible assets such as patents could be created in research on biotechnology. However, a limitation of this growth strategy is the very high risks involved. Oil and gas exploration costs are substantial and there is no guarantee a site is of commercial value or can generate a worthwhile return on investment for shareholders. (I) Likewise, the development of oil palm products in biotechnology is a long process involving product testing and safety checks. The returns, if any, tend to materialize only in the long-term. The investments from these large scale projects bring benefit to the hosting country (such as Indonesia) as more jobs are provided to workers. (I) However, there are environmental issues relating to the cultivation of oil palm in these countries. External stakeholders such as pressure groups and local governments are naturally concerned about the environmental impacts from such large scale operations. (I)

Another strategy used by Genting to grow is greater use of market segmentation. Market segmentation refers to the division of a broad market into distinct subsets of consumers that share similar needs, and then target them. (K) Genting's *Resorts World Sentosa* investment project in Singapore is a good example. Apart from the casino, the resort boasts numerous luxurious hotels, a Universal Studios theme park, Adventure Cove Water Park, and S.E.A. Aquarium. (A) Depending on the age and purchasing power, these attractions offer different options to its customers. For an individual high roller or wealthy gambler, s/he will visit the casino. To a young family, they can go to visit the theme park and the other places of attractions. Thus, there is something for all customers to enjoy in Resorts World Sentosa. (I)

Genting also constructed another new hotel, Genting Hotel Jurong which is built on land next to the future site for the Kuala Lumpur-Singapore High Speed Rail Terminus. Jurong West is a business hub in the Western end of Singapore, where the second causeway links travelers to Malaysia. Here, the hotel targets businessmen. This will mean greater convenience for regular businessmen who make frequent visits between the two countries and thus Genting benefits from increased globalization. (I)(R) Since its opening in 2015, healthy occupancy rates were recorded.

However, there were some issues with external stakeholders like pressure groups in Singapore. Genting's attempt to attract more global tourists to Sentosa Island meant it had earlier proposed introducing live whale sharks in the S.E.A Aquarium's (the world's largest oceanarium). Fearing bad publicity and action from animal rights groups, Genting eventually scrapped this plan. (I)(R)

In conclusion, Genting is highly successful in using growth strategies such as diversification and market segmentation to increase revenue in a globalized business environment. Genting has fully understood the importance of various stakeholder needs in implementing its growth strategies. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of strategy and globalization were defined. Applicable business tools were also explained. However, although diversification was discussed very well, market segmentation cannot be considered as a growth strategy.	3
B	Relevant examples are used to illustrate growth strategies, such as Malaysia's membership of ASEAN which has facilitated Genting's growth and diversification strategies. Appropriate examples of segmentation are applied in the context of Genting's growth in a globalized environment.	4
C	Relevant arguments regarding Genting's diversification and market segmentation strategies are presented with justifications provided in some places.	3
D	All structural elements are present in the essay.	4
E	Internal and external stakeholders are considered with examples provided. Individual and group perspectives are also discussed, although lack sufficient depth for full marks.	3
Total		17/20

Overall Comment

The essay showed a sound understanding of globalization and diversification as a growth strategy. The business content selected was applied well, with good use of real-world examples; the candidate has clearly researched the organization so was rewarded with full marks. However, for Criterion C, only positive arguments for market segmentation were discussed. This one-sided argument resulted in the loss of one mark. Criterion D requirements were all met. For Criterion E, although various stakeholders were identified as individuals or as a group perspective, there was a lack of depth in the analysis. Thus, the candidate did not score full marks for the final assessment criterion.

17. With reference for an organization of your choice, examine how culture and globalization have impacted on the types of financial and non-financial rewards used.

Due to cultural differences and globalization, Google's way of rewarding staff has changed over recent years. Often cultural differences and globalization influence the type of financial and non-financial rewards a company uses, because they need to be differentiated for different people in different contexts. In South Korea and the USA, Google has different types of reward systems due to differences in their customs and culture.

In terms of **culture**, which refers to the norms and values held by a group, people are more motivated through financial rewards in South Korea. (R) The main reason is because in South Korea, it is generally accepted that if they earn more, people are more likely to be satisfied and they will work harder. (R) However, this is only when the basics, such as safety needs are provided. (R) Thus, Google uses a reward system in South Korea that is based upon a mixture between Maslow's hierarchy of needs and Taylor's theory. Maslow's hierarchy of needs suggests that employees are motivated, only if their physiological needs (such as job security and basic financial support) are met and they can then move up the hierarchy to be more motivated. (K) Taylor's theory is also applicable as there needs to be extrinsic motivators such as higher salaries or fringe benefits to increase staff motivation. (K) Hence, Google's type of rewards is more geared towards financial rewards in South Korea.

Google aims to provide more autonomy to workers and an environment that allows them to think creatively. (A) This impacted on managers, a stakeholder of Google, as they have to provide autonomy whilst monitoring work progress, which can sometimes lead to conflict. (R) This is not always applicable in different cultures, where work norms are different.

Globalization is the integration of economies and firms worldwide in terms of cultures, politics and economics. Because of this, Google employees around the world will expect the same kind of rewards, otherwise they can become demotivated due to equity reasons. (R) Thus, Google has changed the way they manage employees in Google South Korea. They are now managed similarly to employees in the USA, where non-financial rewards are equally important, which follows Daniel Pink's theory. For instance, there is a greater degree of autonomy (they can decide what and when to work, for example), and workers have greater opportunities for mastery by tackling more complex projects. (K)

Google USA has always been managed based on Herzberg's and Pink's Theories. In other words, there are more non-financial rewards used. These include empowering staff and enriching their jobs. Some of the additional benefits staff get are widely documented through the media, such as its wellbeing rooms (with library, games consoles and rest 'pods') and slides that take workers down to the canteen for free meals. (A) One of Google USA's rules is that employees cannot be more than 100 meters away from food stations. (A) This greatly impacts on the level of motivation and creates an environment where employees can focus and be truly creative, which helps ensure Google meets its overall aims and objectives. (K)

However, there are downsides. In some cultures, workers are more compliant (to management instructions) so they will be motivated by stricter rules and regulations. For South Korean workers, greater focus on financial rewards could result in higher productivity at Google. (R) Consequently, this can impact on their profitability and shareholders, the owners of the company, who receive less dividends if profits drop. (I)

It can therefore be concluded that Google has made good efforts to ensure employees around in South Korea and the USA are motivated through financial and non-financial rewards, regardless of cultural norms. However, there will always be difficulties meeting all employee needs when it comes to motivation, especially as culture is such a complex issue. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good knowledge of motivational theories and knowledge of financial and non-financial rewards. These are not always developed in sufficient depth, e.g. Herzberg was referred to but there was no development.	3
B	There is application to Google, but examples lack depth in places. Some examples are provided, such as Google encouraging staff to act and think creatively. However, paragraphs 2 and 3 are theoretical and rather generic, lacking genuine application to Google, South Korea.	3
C	Arguments are generally effective and balance is provided, but there is a lack of justification. There are attempts at providing reasoning, such as South Koreans being more motivated by financial rewards and therefore work harder, but statements like this were mostly too generic for full marks.	3
D	The essay was easy to follow, written in a coherent way, and finished with a clear summary which links back to the essay title. All structural elements are presented.	4
E	Stakeholder groups appropriate to Google were selected and discussed appropriately, including employees, managers and shareholders. However, an individual stakeholder was not considered, so full marks cannot be awarded.	3
Total		16/20

Overall Comment

A limitation of this essay is the generic nature of many of the statements and examples given. Better use of specific examples, such as the workers not being more than 100 meters away from food facilities, would suggest the candidate has a thorough knowledge and understanding of Google. Hence, all students would benefit from spending time familiarizing themselves with several organizations for the CUEGIS essay.

The candidate did attempt to provide definitions of the two concepts, which is necessary to score well for Criterion A. There were also some good links to motivational theory, but perhaps too many were covered so the discussion lacked depth. The structure of the essay was effective overall. The candidate dedicated the penultimate paragraph to stakeholders, which can help students to ensure Criterion E is met fully. However, in this case, an individual stakeholder was not discussed.

18. With reference to an organization of your choice, discuss how change and culture have impacted on its labour turnover.

Google is an American multinational corporation which provides internet-related products and services, such as internet search, software and advertising technologies. Its corporate **culture** is interesting as it has a high staff turnover, according to a tech industry survey. They have a high staff turnover because they are in a highly competitive industry and employees are often persuaded to go to other firms in Silicon Valley as they will get better pay.(R) As Google has a relatively young workforce, it is also contributed to the fact 'Generation Y' employees are known as being quite disloyal, leading to higher turnover at Google.(R) **Labour turnover** measures the percentage of the workforce that leaves the organization in a given time period.(K)

Change refers to adaptations made due to factors in the internal and external business environments. Google has increased the number of employees significantly since it first started out, as technology improved and they had to be able to compete with other search engines like Yahoo! and Bing.(A) Google therefore needed to hire different types of employees who would be able to complete roles effectively, however, as there are not many job seekers in this market it is very hard to find employees and keep hold of them, despite Google having some of the best perks for employees worldwide. However, it might be good that Google needs to regularly hire new workers as it will bring new ideas into the firm as people have different experiences and different perspectives.(R)

The positive corporate culture Google is known for could encourage employees to stay with Google. Corporate **culture** refers to the norms and values within a business organization.(K) For example, Google is known for providing free food for its employees and they allow workers to take a break whenever they feel like it, as long as the work they have to do is completed on time.(A) Staff wellbeing is a major theme too, as Google allows workers to bring their pets to work, provide staff with free gym access on-site and provide relaxation spaces for their staff. Google believes that by doing this they will stimulate the creativity of their employees.(R)

However, there are also disadvantages as employees would be able to take advantage of so much freedom in the workplace, which could lead to work not being done on time or not to the right standards, which could lead to higher labour turnover again. This would then effect the customers of Google. The search engine may not be as effective or there could be other issues that won't be fixed because the employees as Google are not as focused because they get so much autonomy.(R) This however, is unlikely because these employees are well educated and professional and it is highly unlikely to be a reason for high turnover.

Other companies in the same industry as Google might benefit from the high labour turnover rate as they know that the employees of Google are trained well. Furthermore, as the industry has changed throughout the years and new jobs are created, Google employees with their skills and qualifications may be headhunted. This gives the employees more opportunities to gain employment in an ever changing industry.(I)

In conclusion, both change and culture have had major effects on labour turnover at Google. Changes in cultural norms of this generation mean workers don't commit to firms for as long. This is particularly the case in the fast-paced high-tech industry in which Google operates. With so many competitors in Silicon Valley (such as Facebook, Yahoo!, LinkedIn and Twitter), employees have far more choices. Also the highly competitive nature of this industry means people will also be in a position where they can change jobs far more often. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	A good knowledge of the business management content has been demonstrated, which is sufficient and well explained. Knowledge of the concepts is generally good, with change and culture both clearly defined, so full marks are awarded.	4
B	Application is mostly very good, with illustrative examples. For example, in paragraph 3, there is good application of the unique working environment that Google staff benefit from.	3
C	Reasoned arguments are included, but not consistently throughout the essay. There are too many sweeping statements overall. An “industry survey” is mentioned in paragraph 1, but this is not substantiated. Paragraph 3, covering culture, is much better with clearer evidence of reasoning. Further justification of Google’s high labour turnover would improve this essay.	2
D	All structural elements are present and the conclusion is succinct and well summarized.	4
E	Several group perspectives are considered. There is a balanced and considered discussion given to employees, and reference is made to customers. For full marks the candidate could have discussed the perspectives of and impacts on Google’s CEO.	3
Total		16/20

Overall Comment

The candidate had a good understanding of Criterion A, ensuring that a definition was provided for the business management content and also for the two concepts in the title question. The candidate made some interesting references to the cultural norms of Generation Y employees in the introduction and referred to this in the conclusion. It would have been good to see this developed further throughout the essay.

A limitation of this essay is how well some of the arguments were substantiated. For example, which tech survey was used to substantiate the claim that Google has a high labour turnover rate? Why are Generation Y employees disloyal to the firms they work for? Similarly, students should be advised to avoid writing generic statements, such as “Google has increased the number of employees significantly since it first started out.”

19. With reference to an organization of your choice, evaluate the importance of change and innovation in starting a new business.

Innovation is the incremental or radical improvement to a business idea, or the generation of new ideas in relation to a final product, service or process. (K) It is important to apply innovative ideas in starting a new business to differentiate its products and gain a unique selling point (USP), but it also has risks that the new idea or product is not accepted by the customers and it requires high costs for the innovation process. (K)(R) Nick Woodman, the founder and CEO of GoPro Inc. perceived the innovative idea of photography whilst surfing the waves off the Australian coast, so he conceived the idea of a compact sized, waterproof, versatile camera at an affordable price that can be mounted on his surfing gear or his body. This gave birth to the brand “GoPro” in 2002. (A) Now, GoPro Inc. is the leading innovative US company behind the world’s most versatile action camera, the GoPro HERO systems. (A) To a risk-taker individual like Nick Woodman, innovation presents an opportunity for him to start up a new business. (I)

The advantage of applying innovative ideas in starting a new business is it provides a USP which allows the business to attract lots of customers. (R) The first GoPro 35mm camera was a huge success. The USP of the 35mm GoPro was it had been labelled as a ‘sportive camera’ that can be used in extreme sportive activities such as scuba diving, surfing, mountain climbing and snowboarding. (A) This USP of GoPro cameras attracts customers (an external stakeholder group) who want to capture high quality photos while they are doing their sports activities. (A)(I) Customers, especially the early adopters, will however have to pay a high price for such innovative technologies.

Another advantage of innovation in starting a new business is it benefits the company and the owners (internal stakeholders) from having a first move advantage (FMA). (R) Before the existence of GoPro, there were demands for ‘sports camera’ but none of the mainstream camera makers focused on this market niche. GoPro created a new market in the camera industry for the sports cameras so was able to enjoy having the first mover advantage. (K)(R) Having a FMA allows the company to dominate the market in order to build up brand loyalty and credibility. (R)

The emergent of GoPro cameras created change in the industry as the possibilities and usability of capturing very special photographs in extreme environments and activities can be taken with ease and hassle free. (R) **Change** refers to the transformation in the way business is conducted as a response to varying internal and external influences, such as the demand of the market for cameras for sports enthusiasts. GoPro would benefit from this by not having any existing competition. Nick Woodman could further develop his business and gain a lot of profit if he is successful in capitalising on this change, by creating a niche market in digital imaging. (I)

However, there are risks in starting a new business. An investor (internal stakeholder) of the business could lose all their money if the innovation or change does not result in profits. (I) The risks need to be considered as the new product might not be accepted by customers. (R) Nick Woodman was fortunate as he received over \$230,000 of investment funds from his parents to start his business. (A)

Although GoPro has been successful, it also faced some disadvantages brought by innovation. The risk of releasing the GoPro camera by applying Woodman's innovative idea is high because little was known about the demand for 'sports cameras'.(R) Another disadvantage of innovation is it requires a lot of investment yet it might have a high chance of failure.(R) To minimise the risks, Woodman launched the relatively low-risk cost-effective 35mm GoPro cameras to test the market, using the relatively small start-up financial resources available.(R) The sales of this versatile, wrist mounted action camera demonstrates clearly the huge potential market.(A) It helped the company to understand and determine the market, realizing there is demand for such sports cameras'. Hence, this approach allowed Woodman to further develop the business with its innovations.(R)

Change also presents another set of challenges for GoPro as digital imaging technology is constantly evolving. This mandates GoPro to invest heavily in R&D (research and development) in order to improve the quality and functionalities of its products and to create new models.(R) There is no assurance of success in R&D however. However, to protect its investments in R&D, GoPro holds numerous patents for its compact waterproof housings, video imaging and audio capture technologies. In addition, there needs to be a culture of innovation among GoPro's employees. These internal stakeholders need to be adaptive to changes in the industry and be creative in their work processes.(I)

To conclude, innovation and change present many opportunities for a business organization like GoPro to be established. A new business can apply innovative ideas in response to changes in the market by creating products for a niche market. For a new business to be established successfully, it must be able to meet the dynamic needs of its intended customers and create growth opportunities in the future. Change and innovation necessitate a business to keep up with advancing technologies and survive in different economic conditions.(K)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of change and innovation are clearly defined and there is good use of relevant business management content (such as unique selling point, differentiation, niche market and first-mover advantage).	4
B	There is very good application of GoPro Inc. throughout the essay. Examples were used effectively to explain the impact of change and innovation of the start-up and operations of GoPro.	4
C	Relevant arguments are presented with evidence from the company chosen. Positive and negative aspects of both innovation and change are discussed with justification. However, the discussions of change could have been developed in greater depth.	3
D	All structural elements are present, and there is good use of fit-for-purpose paragraphs.	4
E	There are discussions of both internal and external stakeholders. Individual perspectives provided from the CEO and group perspectives provided from employees and customers, were relevant to the question with specific explanations provided.	4
Total		19/20

Overall Comment

This is an excellent essay that shows very good knowledge of the concepts of change and innovation, as well as relevant business management content. Definitions play a key role in the marks for Criterion A. The choice of GoPro as a real-world business organization was well selected in this context to show good application of starting up a business based on the concepts of innovation and change. The only weakness was a generic discussion of change which lacked depth in some areas. In terms of structure, the candidate put forward a clear and well-organized essay. References to the CEO and other stakeholders (as a group perspective) were presented, with both positive and negative implications being discussed.

20. With reference to an organization of your choice, discuss the impact of globalization on innovation.

Globalization of markets, and in particular the telecommunications industry, has resulted in businesses scrambling for new innovative strategies to stay competitive.(A) **Globalization** refers to the process by which people, ideas, goods and services become increasingly spread around the world, creating greater integration and understanding of countries, organizations and cultures.(K) **Innovation** refers to the improvements of a product or process to better meet the needs and wants of customers, in a profitable way.(K)

Founded in 1987 in Shenzhen (China), Huawei started as a networking and telecommunications equipment and services company. Today, Huawei is the world's largest telecommunications equipment manufacturer one of the world's leading brands of mobile phones.(A) With its goods and services spanning over 170 countries and catering for more than one third of the world's population, Huawei a truly a multinational business organization and lives up to the literal translation of its name as "Splendid China".(A)

One positive implication of globalization to an individual stakeholder such as the Chairwoman, Sun Yafang, is that it forces her to be a critical strategic thinker. As a key leader of Huawei since 1999, it is her duty to ensure staff are continually thinking of ways to make Huawei more competitive. One way for her is to integrate ancient Confucius wisdom with modern western knowledge to formulate a global vision for Huawei.(I) Huawei's strategies include having a competitive culture that embraces innovation as a response to global needs.(A) In fact, almost 45% of Huawei's workforce work in R&D.(A) The World Intellectual Property Organization (WIPO) reported receiving nearly 4,000 patents applications from Huawei in 2016 alone. All this has helped the company to establish itself as an innovative market leader in the ever-global word of telecommunications.(R)

A positive impact of globalization is it forced Huawei, which would otherwise have had a typical top-down culture and approach, to adopt a paradigm innovation culture. This means the company fosters change (brought about by globalization) in its organizational structure and corporate culture, allowing it to meet the needs of its customers across the globe.(K) Huawei structured its business into three organizational levels: its headquarters in China, regional offices and Research and Development (R&D) centres around the world.(A) Sabrina Meng, Huawei's Chief Financial Officer, believed decentralization would enhance the company's ability to come up with new products to specifically meet the demands of its customers.(R)(I)

However, decentralization to members lower in the hierarchy could be a concern for Sun Yafang and Sabrina Meng as it means a loss of management control.(I) Also, a consequence of its paradigm innovation culture was the establishment of a corporate culture known as 'wolf-culture' in Huawei. Wolves are known to be bloodthirsty, resistant to extreme cold and taking actions as a pack. According to its corporate website, Huawei expects its employees to be responsive to changes, fearless when encountering challenges and to take action as a team. However, this could result in overworked and highly stressed employees.(I)

Globalization also led to Huawei becoming more market-oriented in order to compete with well-established global leaders such as Apple and Samsung. Market-orientation refers to an outward looking marketing philosophy that focuses on meeting customer needs. (K) For example, Huawei is currently aggressively investing in 5G technologies which allows users to connect to each other faster. A customer-centric innovation strategy would enhance Huawei's competitiveness as more markets are opened up. (R) Globalization allows more customers to access Huawei's innovative products, such as its smartphones. Huawei sells low-cost 4G smartphone models for as little as US\$76, offering customers great value for money in many markets such as China, Thailand, Indonesia and India (where Apple has only 2% market share). (I)(A) Other innovative developments from Huawei include driverless car, remote surgery, virtual reality (VR) and VR-based immersive entertainment, all of which can be marketed to a global market. (A)

However, innovation is a very expensive strategy and there is no guarantee that the products developed will become profitable, especially as high-tech consumer products tend to have a short product life cycle. (K)(R) For example, the average customer replaces their smartphone lifetime every 29 months in the UK, and only 18 months in the USA. In addition, globalization of markets means the smartphone industry (which is worth hundreds of billions of dollars a year) faces intense competition from producers such as Samsung and Apple. (R)

In conclusion, globalization has had a very big impact on Huawei's innovation. Globalization forced Huawei to be completely revamped from inside out in order to benefit from access to a worldwide market. In under 30 years, Huawei went on to become one of the most innovative corporations in the world, using market-oriented innovations to produce value-for-money products to meets the needs of its customers all over the globe. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of globalization and innovation are clearly defined, and illustrative examples are used to show a very good level of understanding. There is effective use of business management content throughout the essay (such as paradigm innovation, decentralization, market share and product life cycle).	4
B	There are plenty of well applied examples used to illustrate the impact of globalization on Huawei's innovations. These are well integrated throughout the essay.	4
C	Relevant arguments regarding globalization and innovation are presented well and most of these are backed up with justifications. Limitations of globalization and innovation were both discussed, and supported by relevant examples. However, there were some lapses, e.g. the candidate could have explained why/how globalization forced the company to be "completely revamped from inside out."	3
D	All structural elements are present, and the essay is generally easy to follow. The conclusion is fitting and directly addresses the title question.	4
E	Positive and negative implications relating to individual perspectives (such as the Chairwoman and CFO) and group perspectives (such as customers and employees) are discussed.	4
Total		19/20

Overall Comment

In assessing Criterion A, definitions of both concepts of globalization and innovation were important factors. Relevant business management content has been used to demonstrate good understanding. The candidate had clearly researched Huawei very well and was able to show connections between globalization and innovation using the relevant business management content.

There were balanced responses, such as the positive implications of globalization which prompted Huawei to restructure and embrace a market-oriented approach to its innovation. The candidate also considered negative implications of globalization, such as increased competition for Huawei. Positive and negative implications to the various stakeholders (individuals and groups) were discussed, with justifications. Thus full marks were awarded for Criterion E.

Overall, the essay was well structured with fit-for-purpose paragraphs.

21. With reference to an organization you have studied, examine how ethics and globalization have impacted on its mission statement.

KFC is the world's second largest fast food restaurant chain as measured by sales revenue (after McDonald's). There are more than 20,000 outlets located in 123 countries. (A) Its **mission statement** is "to sell food in a fast, friendly environment that appeals to pride conscious, health minded consumers". (K) This essay will look at how **ethics**, the moral principles adopted by a business, and **globalization**, the growing integration of the world's economies, have impacted on this mission statement. (K)(S)

Firstly, KFC has caused lots of unethical issues in the past, which had an impact on sales revenue in China. Back in 2012, the Chinese government announced that KFC had used poultry containing antiviral drugs and growth hormones. (A) This led to the bad reputation and brand image of KFC in China and consequently resulted in a temporary loss of customers. (R) Also, this problem decreased the profit of KFC China. (R) KFC decided to change its mission statement the year after, which is stated above. KFC acknowledged its unethical behaviour and made a new statement to show that it will not tolerate any further food safety issues. (R) However, in 2014, KFC restaurants in Shanghai were found to have supplied expired meat, so the company was under further scrutiny. (A)

Conversely to these problems, KFC remains the largest foreign fast food restaurant chain in China. (K) Also, KFC has expanded into Africa, and now it is the second most powerful foreign brand in South Africa. (A) As both China and South Africa are major emerging countries, KFC has used its global status to use a market development strategy. KFC has used the changing environment in the BRICS economies to their advantage. However, the globalization of KFC has brought difficulties such as adapting the menus to suit varying local tastes.

Pressure groups like People for the Ethical Treatment of Animals (PETA) have been actively acting against KFC. (A)(I) PETA has accused KFC of being inhumane towards chickens. This suggests that the mission statement's reference to a 'friendly environment' could be deemed by some as a contradiction or hypocritical. (R) On the other hand, PETA has made suggestions to KFC to lessen the pain caused to chickens which may be a step in a more ethical direction.

Additionally, shareholders are losing confidence in KFC because of the many unethical issues it has encountered. As KFC was suffering problems in China back in 2012 and 2014, shareholders might want to sell their shares as the value of the shares and the dividends paid out declines. (I) However, more recently problems with ethical behaviour have not been highlighted in the news media, so this issue seems to have been temporary only.

To sum up, KFC still needs time to achieve its mission statement, as its food safety scandals have not proven easy to deal with and its global reputation is still tainted with the bad media coverage. It is clear that ethics and globalization have had a big impact on KFC's mission statement as it was completely reworded to improve the brand image of the firm.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The candidate has demonstrated an understanding of both concepts through brief definitions, albeit briefly. There is reference to relevant business management content, such as mission statement, pressure groups and brand image, but these could have been made more explicit.	3
B	Application of the firm's mission statement is clearly demonstrated in the introduction. Illustrative examples are used throughout such as the use of poultry containing antiviral drugs and growth hormones. Globalization examples were also presented.	4
C	The arguments are balanced, but are often theoretical or largely unjustified. A lack of reasoning limits the marks for this criterion, e.g. there is no justification why "KFC has used the changing environment in the BRICS economies to their advantage." or how KFC has faced difficulties "adapting the menus to suit varying local tastes."	2
D	The essay is clearly organized, with a conclusion which aims to summarize the findings. Although the conclusion is not strong, all structural elements are present.	4
E	Shareholders and PETA (pressure group) are discussed in a balanced manner, but the impact on and perspectives of an individual stakeholder were not considered.	3
Total		16/20

Overall Comment

One of the main strengths of this essay is the detailed knowledge the candidate has of KFC, which has been demonstrated through illustrative examples throughout the essay. The use of dates, facts and figures is a good way for students to demonstrate good application and knowledge.

The main issue was the irrelevance of some of the arguments, especially regarding globalization. For example, the candidate started to discuss KFC's entry into the South African market, which did not link back to the mission statement outlined in the introduction. Despite this issue, the essay was still easy to follow and well structured, allowing the candidate to achieve full marks for Criterion D. The inadequate reasoning in the essay limited the quality of the conclusion, but a candidate should not be penalised twice for the same mistake.

22. For an organization of your choice, examine the impact of innovation and ethics on sustainable operations management.

In 2015, haze from the Indonesian forest fires engulfed neighbouring Malaysia and Singapore and reached as far as southern Thailand and the Philippines. Environmental group WWF Indonesia attributed the fires to “collective negligence” of multinational companies, local businesses and the local government.(A) The cost to various stakeholders were enormous. The World Bank estimated that the 2015 Indonesian forest fires caused \$935m of losses relating to lost agricultural productivity and trade in Riau province of Indonesia alone. The negative impacts from unsustainable operations from palm oil producers were felt by various external stakeholders from the local community in Indonesia to an individual such as a city dweller in neighbouring countries.(I) An estimated 500,000 cases of respiratory tract infections were reported and an estimated 100,000 premature deaths.(A) This disaster highlighted to importance of ecological, social and economic sustainability in production. **Sustainable operations management** allows the consumption of goods for the people of today without compromising the consumption of people of tomorrow.(K)

Kimberly-Clark (KC) is one of the largest producers of tissue products in the world. KC emphasizes sustainable forestry and sound environmental practices. The majority of KC’s tissues contain fibres derived from wood pulp.(A) Part of its strategy on ethics includes protecting natural resources, safeguarding forests that combat greenhouse gases, and supporting healthy ecosystems that sustain life.(A) **Ethics** are the values and principles that relate to the moral and social responsibilities involved in business decision-making.(K) Since 2009, KC uses a sourcing policy on its international fibre suppliers, mandating suppliers have achieved forest certification.(A) A negative implication to KC’s suppliers is the additional production costs due to KC’s stringent requirements.(I) However, a positive implication for KC is increased brand loyalty as customers have assurances regarding green and ethical practices.(I)(R)

An advantage of ethical practices to KC is eligibility for sales of paper products in countries which require environmental protection certifications, such as the European Union nations, where all government purchases of paper products must be from approved suppliers. Thus suppliers with sustainable production practices, such as KC, gain from this.(I) However, a negative impact of ethical practices is that government legislation on environmental protection is not uniform across the world. For example, corruption and political issues in Indonesia undermined the government’s efforts to impose effective legislation.(R) Also, the compliance costs mean that KC spent \$710m on advertising spending to promote its commitment to the sustainability of its operations.(R)

Innovation refers to the creation of new ideas or improvements to existing ones in relation to the commercialisation of products, services or production processes.(K) KC’s approach to its operations management focuses on the minimal use of natural resources throughout the product life cycle, from raw materials all the way through to its customers and the final disposal of its products.(A) KC’s products have been developed with waste reduction in mind. KC’s R&D in innovation focuses on “Reduce Today, Respect Tomorrow”. This commitment directs the way KC design products to eliminate waste at every stage in a product’s life.(R)

However, this innovative approach to operations management resulted in KC's Research and Development expense exceeding \$300 million according to its latest annual report. Another concern is that identifying products that contribute to environmental innovation is complicated and debateable because there is no world-wide scientific consensus and there are different standards in different countries. (R)

KC is a trusted global brand, largely due to its commitment to sustainability. During KC's 150 anniversary, it renewed this commitment with its "Sustainability 2022" initiatives that preserves innovation to extend the life of its products and packaging materials by researching in new ways to reduce pressure on natural resources and to develop sustainable alternatives. (R) The biggest impact of this is on consumers. They now have access to improved, safe and sustainable products that range from quality personal care to baby wipes. (I) KC's profit margin has increased more than 60% over the last 5 years. The benefit to shareholders are increased dividend pay-out. KC announced an extra 5% increase of dividend in 2016 and the CFO was awarded a \$1.5m bonus. (I)

In conclusion, KC's operations management has been driven by innovation and ethics. This strategy enables KC to gain competitive advantages by building a quality brand that is associated with sustainability and shows its commitment to its various stakeholder groups. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of innovation and ethics were all defined and explained in the context of Kimberly-Clark. Relevant business management content related to sustainability and operations management are well explained.	4
B	Examples related to Kimberly-Clark are applied throughout the essay to explain the situation. The candidate has clearly researched KC and has used fact and figures very effectively throughout the essay.	4
C	Positive and negative aspects of innovation and ethics are discussed, mostly with justifications. However, more specific examples of innovation could have been provided (some of the reasoning was not explicit to innovation as ethics were also considered).	3
D	All structural elements are present, with fit-for-purpose paragraphs used throughout the essay.	4
E	Discussions about internal and external stakeholders are appropriate and sufficient. Both positive and negative implications are discussed with respect to an individual (such as the CFO) and group perspectives (such as customers and shareholders). However, the discussion for the former was too limited for full marks to be awarded in this case.	3
Total		18/20

Overall Comment

This essay shows a good level of understanding of the concepts of innovation and ethics in the context of Kimberly-Clark's sustainable operations management. The definitions, examples and explanations were sufficient to warrant full marks for Criteria A and B. Although reasoning was provided in each paragraph within the body of the essay, there was a relatively vague illustration of innovation, thus resulting in the loss of one mark under Criterion C. To reach the top band for Criterion C, the candidate must demonstrate balanced arguments. The essay scored full marks in Criterion D as all structural elements were present. This is a difficult essay title, but the candidate did extremely well to use fit-for-purpose paragraphs throughout. Pertaining to Criterion E, both positive and negative impacts to individuals and groups were discussed but vaguely mentioning the CFO getting a \$1.5m bonus, albeit relevant, without further development is insufficient for full marks.

23. With reference to an organization you have studied, discuss how corporate social responsibility has been impacted by innovation and globalization.

As a business expands and grows to maximise their profit, it may face challenges of being socially responsible. **Corporate social responsibility** refers to businesses acting morally towards its stakeholders, including the local environment. (K) Danish company LEGO became the world's largest toy manufacturer in 2015, having gained customers from all around due to its highly appealing products. Through LEGO's constant innovation and globalization, they have managed to maintain the title of having a good reputation for CSR by changing and adapting different aspects of their business operations. Examples include releasing The LEGO Movie in 2014 and innovating new material for LEGO toys.

Following the worldwide release of The LEGO Movie, sales of LEGO toys grew by 15% within the first two quarters of 2014, through the purchase of film-themed toys. (A) Whilst benefiting from **globalization**, LEGO didn't forget its aspirations, which is to reach more children in local communities with activities that benefit both the children and their families. (A) This forms part of LEGO's CSR policy and business strategy. LEGO used the movie to spread moral lessons, such as "It doesn't have to be perfect to be great" and "Teamwork is important", allowing both parents and children to learn from. By caring about their customers, LEGO have clearly demonstrated their CSR aims which allows them to have a better brand image and increase customer loyalty. (R) Using movies in this way is an innovative approach to CSR. A sequel to the movie is planned as are other franchise themed movies, such as the LEGO Batman movie. (A)

However, the movie didn't only receive positive reviews; there were comments from audiences that said it was a most anti-Christian film due to some of the characters and the symbolism in the story plot which upset some LEGO fans. This had caused some parents to prohibit the movie and the movie based toy sets from their children. (R) As the firm has a global presence, it may want to try to consider further stakeholder groups to ensure it meets its CSR aims more thoroughly.

As the product range of LEGO toys expanded, the firm started to consider CSR in relation to the natural environment – its toys are mainly produced using plastics. In the summer of 2015, The LEGO Group announced research investment that looks to replace its iconic plastic bricks with pieces made from sustainable and environmentally friendly materials. (A) If this were to happen, it will be a huge **innovation** for LEGO as they are using new materials that are sustainable whilst still producing sturdy LEGO bricks. With this innovation, LEGO may experience an even better brand image as they are being environmentally friendly. (R) Nevertheless, in order for this innovation to happen, LEGO had spent more than 1 billion DDK for research. It could result in a large amount of capital being wasted if the research is not successful, which can lead to poor cash flow and lower profitability. Also rival toy manufacturers such as Mattel and Hasbro could use this opportunity to try to overtake LEGO's market lead position. (R) However, with sales of over 15 billion DDK a year, this is unlikely to dent LEGO's finances. (R)

Approaches to CSR, through innovation and globalization enabled LEGO to build a better brand image and reputation, which is a benefit for customers as they are purchasing highly desirable toys that have been produced responsibly.(I)

Another stakeholder affected is LEGO's competitors. Innovation in a global market can be advantageous as it gives LEGO a competitive edge over its rivals; but of course competitors may copy this strategy to work harder to come up with more innovative ideas in terms of CSR.(I)

In conclusion, LEGO has embraced the forces of innovation and globalization, leading to its success in managing and maintaining its CSR whilst growing and expanding rapidly. However, with the high costs required for innovation, and the uncertainties of the potential returns, it may cause cash flow problems for LEGO. The company's continued growth and popularity means that without effective CSR policies, LEGO will not be able to consider the needs of all its stakeholder groups.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is evidence of understanding of both concepts. The business management content is relevant, sufficient and well explained. Definitions or clearer explanations of the concepts would have resulted in full marks.	3
B	There is good application of LEGO, which included illustrative examples in most places. Appropriate facts, figures and dates have been used effectively, such as the 1 billion DDK spent on research.	4
C	The candidate has provided relevant balanced arguments, but some of these are sweeping statements and are not always fully justified. Stating “innovating new material for LEGO toys” as an example or discussion of investment in research for sustainable materials is vague and unsubstantiated.	3
D	This is a clear and logical essay, which includes all the structural elements. The introduction summarizes innovation and globalization in relation to CSR. The conclusion attempts to synthesize the arguments presented in the essay.	4
E	There is a balanced and relevant consideration of various stakeholders, such as competitors and customers. However, an individual stakeholder perspective needs to be contemplated for full marks.	3
Total		17/20

Overall Comment

The most notable strength of this essay is the use of illustrative examples throughout. It is clear that the candidate has done substantial research on LEGO over the duration of the Business Management course.

Candidates should be informed that definitions are needed to achieve full marks for Criterion A. Students should be able to provide a clear and concise definition for all 6 concepts in preparation for the Paper 2 assessment. This is a straightforward strategy to ensure that valuable marks are not lost unnecessarily.

Candidates also need to be familiar with a relevant individual stakeholder of their chosen organization, such as the CEO of the firm. In this case, the candidate was unable to discuss the perspectives of or impacts on an individual stakeholder.

24. With reference to an organization that you have studied, examine the impact of globalization and culture on its growth.

The **growth** of a business can occur organically or through mergers or acquisitions with other organizations.(K) In 2005, Lenovo, a Chinese computing company, acquired the personal computer division of IBM.(A) Both globalization and culture have played a part in Lenovo's growth since this takeover took place.(S)

An acquisition like this should lead to economies of scale(K) for Lenovo, but in this case there were severe **culture** clashes. Business etiquette between the Chinese and American employees was very different, leading to lots of misunderstandings.(K)(I) This further resulted in inefficiencies and diseconomies of scale.(R) Stakeholders, such as suppliers and employees(I) could be affected by these communication problems, leading to poor working relationships. However, by 2010 the American and Chinese teams had learnt from their mistakes and were operating a successful multinational company, with Lenovo going on to acquire various other companies such as Medion, a German consumer electronics company that operates across Europe, the USA and Asia Pacific.(A)

The acquisitions of IBM's PC division and Germany's Medion are good examples of **globalization** positively impacting on Lenovo's inorganic growth, which has ultimately led to the company becoming one of China's most significant multinational companies to date.(K) Following the takeover, the decision was made by Lenovo's managers that the official language of the business would be English.(A) This is because it is the endorsed business language in many countries across the globe and the decision to use a common language for the MNC will more likely result in greater efficiency gains.(K)(R)

However, it was not that straightforward for Lenovo. Immediately following the acquisition of IBM, it quickly became apparent that very few of the leadership team could speak English or had any experience outside of China.(A)(I) These strained working relations resulted in poor motivation which could lead to diseconomies of scale, impacting on the quality and output of Lenovo's products.(A)(R) If a large number of customers become dissatisfied, it could negatively affect the brand image.(I)(R)

That said, by 2014 Lenovo was classified fourth in the minds of shoppers in America in terms of brand awareness.(A) As IBM was such a well-known global brand, Lenovo bosses decided to keep the IBM brand name on all its laptop computers for 5 years, in order to give customers reassurances but also time to get used to the Lenovo brand name.(I) By 2010, the strategy had worked, with Lenovo becoming the world's fourth largest computer maker; it was perfect timing for the company to drop IBM and replace all its computers with the Lenovo brand name.(A)(R) Today, Lenovo is the world's largest maker of personal computers, based on sales volume, and annual revenues exceeding \$45 billion.(A) The company has since diversified into smartphones, printers and televisions.(A) This demonstrates the extent to which globalization has impacted Lenovo in a positive way, and that the company was able to overcome problems associated with growth.(R)

Overall, it seems that the huge cultural differences between Lenovo and IBM hindered the inorganic growth of the company initially, because the organizational norms and values contrasted so significantly. (K)(R) This is often a problem for companies involved in external growth strategies on a global scale. (R) However, Lenovo was able to capitalise on IBM's managerial expertise in the long term, resulting in highly successful growth, with a global brand which now spans across the world. (R)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The candidate has demonstrated a good understanding of culture but knowledge of globalization is not explicit. Definitions of the two concepts would have been useful. Knowledge of growth is appropriate and well explained.	3
B	The candidate has demonstrated an excellent understanding of Lenovo, with good use of examples applied to the concepts (culture in particular is applied well).	4
C	Balanced arguments are provided, which are mostly justified but not throughout the essay. For example, reference to diseconomies of scale is not substantiated.	3
D	All structural elements are present and paragraphs are fit-for-purpose. The conclusion summarizes the findings well, considering short and long term implications.	4
E	Several stakeholder groups are considered, such as suppliers and consumers, but an individual perspective should have also been considered for full marks.	3
Total		17/20

Overall Comment

A strength of this essay is the thorough application of the concepts and the business management content to the firm, Lenovo. Illustrative examples have also been used throughout, which suggests a deep understanding of Lenovo's operations.

The structure of this essay is also strong. There is a clear introduction, main body with fit-for-purpose paragraphs and a fitting conclusion, all of which are easy to follow. The candidate dedicated separate paragraphs to each concept, which is a logical and sensible approach.

For Criterion C, the candidate could have improved the quality of the arguments provided. Some of the discussion points made were too generic (such as "if a large number of customers become dissatisfied, it could negatively affect the brand image") and were not substantiated.

25. Examine how change and culture have impacted on the training opportunities provided by an organization of your choice.

McDonald's is the world's largest fast food restaurant, serving around 68 million customers daily in 119 countries across 36,600 restaurants. **Training** refers to the betterment of workers through professional development opportunities.(K) It includes staff induction, on or off-the-job training which are essential to McDonald's as the employees have direct communication with its millions of customers every day. To ensure a good experience for customers in a highly competitive industry, McDonald's provides a professional training program for employees.(R)

Change refers to the willingness and ability to adapt and respond to varying internal and external factors in the business environment.(K) One of the biggest changes that McDonald's has adapted to is globalization, as external growth has led to its rapid expansion around the world. McDonald's stressed that the same standards are met across their franchise restaurants around the world. Its standardized and systematic method of training managers worldwide has benefits and disadvantages. One of the main advantages is that this ensures the managers are equipped with the skills required to run the restaurant. It also means managers are using a similar approach meaning there is relative consistency between restaurants worldwide.(R) This in turn ensures that diseconomies of scale associated with growth and globalization are reduced as communication and general operations should be standardized through its staff training program.

However, this does not mean the menus are identical. Changes are made to suit varying cultures and preferences in different parts of the world. Employees need to be trained accordingly; product knowledge is vital in this industry, for example.(R) The training is vital for ensuring the productivity of McDonald's workers, their safety and their own level of morale.(R) However, the need for some flexibility and diversity means that training is both time consuming and costly to pursue on a global scale.(R)

Corporate **culture** refers to the norms and values in an organization.(K) McDonald's, being a multinational company, needs to be aware of the different cultures and traditions in the numerous countries they operate in.(R) The majority of McDonald's training is on-the-job, which means staff are trained by an existing member of staff while they are working.(A)(K) A new employee may observe burgers being cooked and how to use machinery for cooking French Fries and Apple Pies.(I)(A) McDonald's will have to ensure their training program, developed in the USA, is sensitive to cultural norms or are adapted slightly if necessary.

McDonald's also provides on-the-job training for new managers supported by courses and seminars at the company's National Regional Training Centres around the world.(A) There are 4 key elements to the program, irrespective of regional norms or cultures: shift management, systems management, restaurant leadership, and business leadership (focusing on McDonald's corporate strategy).(A) One of the main advantages is that this ensures the managers are equipped with the skills required to run the restaurant. McDonald's can then potentially increase customer satisfaction rates, which can then lead to repeat purchases and therefore an increase in profit levels.

It also means that there is better consistency between restaurants worldwide when managers use a similar approach. This is vital to uphold the corporate reputation of McDonald's. (R) Furthermore, the managers would understand the aims and objectives of the business better. This in turn ensures that diseconomies of scale associated with growth and change are reduced as communications and general understanding of McDonald's operations should be standardized through this training program. (R)

Staff also attend classroom-based off-the-job training sessions, where they complete tasks on quality, service and cleanliness – the mantra of McDonald's employees. (A) The advantage of this training is that it makes sure that all employees understand the corporate culture and also the culture of the country that they work in. Understanding the culture can promote a better brand image for McDonald's. However, the trainers will not be able to conduct their own work whilst facilitating off-the-job training; thus it can prove to be expensive.

Stakeholders that are affected by the impacts of culture and change on training are employees and customers. Firstly, McDonald's employees have to be more flexible to changes which can be stressful which may potentially demotivate them. The CEO, Steve Easterbrook, will be keen to encourage motivation so he might identify that motivation will increase in the long term as training is rolled out. For customers, a well suited training system would mean that the employees would deliver a better service, adhering to the corporate culture, which could increase the customer satisfaction and improve their overall experience at McDonald's. (I) However, there is also a disadvantage because the training can increase the overall costs to the business therefore may potentially increase the prices of McDonald's products.

Overall, McDonald's has adopted a training program which reflects changes experienced because of globalization and reflects the corporate culture of McDonald's, whilst being sensitive to national cultures.

Feedback Sheet

Criterion	Feedback	Marks
A	Knowledge of the concepts is good, with clear definitions provided. Discussion of training at McDonald's is relevant and well explained using appropriate business management content.	4
B	Application is good overall with fitting facts and figures provided. Some of the examples lack sufficient depth for full marks, such as the comments about McDonald's training program provided in paragraphs 2 and 3.	3
C	Most arguments are relevant, justified and balanced. Not all arguments were substantiated, such as training "is sensitive to cultural norms or are adapted slightly if necessary", or why a standardized management training program could lead to improved customer satisfaction. Sweeping statements (such as "the trainers will not be able to conduct their own work whilst facilitating off-the-job training") should also be avoided.	3
D	The required structural elements are present so at least 3 marks must be awarded. However, ideas become unclear in some areas, such as when corporate culture and national culture are discussed. The conclusion is rather brief too.	3
E	There is a balanced consideration given to two relevant stakeholder groups, as well as consideration of the CEO, Steve Easterbrook. There is sufficient depth of discussion to warrant full marks.	4
Total		17/20

Overall Comment

Clear and accurate definitions have been provided for both concepts, which illustrate good understanding. The candidate also has a good knowledge of McDonald's, although could have been more specific with details about its training programs. The candidate has made good use of relevant business management content.

In one of the paragraphs dedicated to culture, the candidate flips between national and corporate culture, which makes it a little harder to follow. A focus on one area, or using two separate paragraphs, would be preferable.

Overall, this is an excellent essay. With improved exam technique in writing CUEGIS essays, the candidate could have scored full marks.

26. Examine how ethics and culture have impacted on the leadership style within an organization of your choice.

McDonald's is the largest fast food restaurant chain in the world, as measured by sales revenue. It is a multinational corporation that originated in San Bernardino, California. It has operations in 119 countries and enjoys annual sales of over \$25bn.(A) This suggests that McDonald's has an effective corporate culture, although a lot of ethical issues have been pointed out by the media which contradict this. Therefore, the **leadership style** adopted at McDonald's plays a vital part in responding to these issues. When referring to leadership style, it means the approach taken by those at the top of the hierarchy, in order for the business to operate successfully.(K)

Culture can be defined as what is considered 'normal' to an organization, such as the way that workers behave within the business. Corporate culture is largely based on the beliefs, values and attitudes of the management and employees.(K) McDonald's corporate culture encourages learning (employee and organizational learning), people-centricity, diversity and inclusion. With these values in mind, McDonald's CEO, Steve Easterbrook, has adopted a democratic leadership style(I)(A) whereby he involves directors, managers and employees in the decision-making process.(K) Part of its corporate culture is "inclusion" which this leadership style reflects by involving employees in decision making.(R) One example is that McDonald's hires its own team of chefs to conduct market research and product development at its Hamburger University, in Oak Brook, Illinois. They come up with the receipts and make recommendations to add the best of these to their menus.(A) However, a downside is that it delays decision-making.

Ethics are the moral principles that guide decision-making and business strategy. Morals are concerned with what is considered to be socially right or wrong.(K) Unfortunately for McDonald's, ethical issues surrounding its business appear in the news frequently. In Brazil, the Food and Hospitality Workers Union has been looking issues including wage theft, poverty-level pay and mistreatment of pregnant workers at McDonald's. In China, the scandal of tainted meat has created a lot of negative press and has harmed the brand image.(A)(R) These examples contradict McDonald's corporate culture of people-centricity. Another, more worldwide example, was the release of *Supersize Me* – a documentary that showed the world the damage that could be done to someone who eats too much McDonald's. The presenter and producer, Morgan Spurlock, highlighted the link between McDonald's fast food and the obesity problems in the USA and beyond.

An autocratic approach to these crises will be more appropriate for the CEO to use because it is a more critical situation where the global brand image is at stake.(R) However, a hard approach such as punishing the people responsible for such unethical behaviour could demotivate staff and make them resentful.(R) Nevertheless, unless the CEO deals with such problems, unhappy customers will result in less profit for McDonald's.(I)(R) It would have taken the CEO to make the decision to withdraw Super Size portions from McDonald's menus.

It can be concluded that ethical issues have resulted in a change to the normal democratic style of leadership at McDonald's, to make sure the brand is not affected too badly. The corporate culture adopted by McDonald's, such as focusing on inclusion, means managers and directors, as well as the CEO, have adopted a democratic style most of the time. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is a good understanding of both concepts, demonstrated through accurate definitions and fitting paragraphs. The business management content is defined and well explained throughout the essay.	4
B	Examples are provided but they are not always illustrative. Application lacks depth in some places, where certain points tend to be quite vague (such as the meaning of “people-centricity, diversity and inclusion.”). Nevertheless, the examples used for discussing ethics are fitting.	3
C	On the whole, reasoned arguments are made, and there is a balanced discussion. However, some arguments lacked clear justification, such as Steve Easterbrook’s inclusion of managers and employees in the decision-making process (of the world’s largest fast food chain).	3
D	All structural elements are presented and the information provided is easy to follow. The conclusion is brief, but clearly links back to the title of the essay.	4
E	There is appropriate consideration of the CEO, and reference to Morgan Spurlock. However, the discussion about employees and customers, although relevant, lack sufficient depth for full marks.	3
Total		17/20

Overall Comment

This essay contains lots of facts and figures related to McDonald’s but arguments are not always substantiated. For example, there is no explanation of how the candidate knows the CEO adopts a democratic leadership style. Nevertheless, the candidate has clearly researched McDonald’s and has applied this knowledge well, especially for the concept of ethics. It is therefore important to remind candidates to ensure that their research and examples are applied specifically to the title question of the essay.

27. With reference to an organization of your choice, discuss how marketing strategies may differ in two cultures that you are familiar with.

McDonald's is a multinational company operating in more than 120 countries. It was established in California, USA back in 1940 and has grown to become one of the biggest restaurant companies in the world. (A) This company has implemented different marketing strategies successfully in different cultures. In this essay, I will focus on the UK and India. **Culture** refers to the norms and values of a specific business, or in this essay a particular country. (K) A **strategy** refers to a long term plan a business intends to implement in order to achieve its organizational goals. (K)

In most parts of India, eating cows and pigs is legally prohibited. Indian people have a religious tradition of not eating these meats. (A) McDonald's must gather information about different customs and cultures through its market research and chose to use an appropriate marketing strategy. In this case, "market orientation" was used. Market orientation is a marketing approach used by businesses like McDonald's that focus on making products that they can sell, by focusing on the needs of the market (their customers). (K)

In India, McDonald's chose not to use pork and beef products, not even in their burgers, in order to meet the needs of their local Indian customers. (A) This marketing strategy was a relatively low risk one as McDonald's had enough data showing that Indians would want food without pork or beef. Also, Indian employees at McDonald's would have been totally dissatisfied if they had to serve pork and beef, so they would be demotivated and less productive. (I)

However, a market orientation strategy could compromise the brand as McDonald's is famous for its (beef) Big Mac and hamburger products. (R) Another disadvantage of a market orientation strategy is that the initial market research in overseas markets can be costly. McDonald's may need to spend a lot of money to figure out the tradition and needs of Indian customers, i.e. what they would prefer to eat instead. There is then the product development costs that follow. (R) Still, had they not taken a market orientated approach, a lot of ethnic groups in India would have been enraged, so consideration of the local culture meant the reputation of McDonald's was not harmed. (I)(R)

McDonald's uses a different marketing strategy in the UK. As beef is highly demanded in UK culture, beef products are widely advertised on television. (R) In one particular TV advert, McDonald's showed a farmer (supplier) discussing the high quality of the beef he supplies to McDonald's by giving his cows decent living conditions. (A)(I) This approach will be very effective and acceptable to UK customers who are happy to know where the products are sourced from, especially if they are of high quality. Humour was a key feature of the advert, localized to suit the tastes of the British public. The same advert would not appeal to viewers in India with different perspectives on what is deemed to be entertainingly funny. (R)

Nevertheless, McDonald's is fully aware that there is a large Indian population in the UK, who may be offended by such promotions. (R)(I) Still, McDonald's is meeting the needs of a large proportion of the UK market, and British Indian customers who do not consume beef or pork may choose other McDonald's products such as chicken or salads. They cannot meet everyone's entire needs. So it can be said that the promotional strategy used in the UK is effective as they are considering the cultural norms and values of the British public. (R)

In conclusion, McDonald's uses a marketing strategy of market orientation to sell their products successfully in India. However, due to cultural differences the marketing strategies they have used in the UK are different. Through the knowledge of the cultural differences, McDonald's has adapted strategies effectively in both countries. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	A definition was provided for culture, strategy and market orientation (as a form of marketing strategy). There is good use of relevant business management terminology throughout the essay, such as promotional strategy, market research, supplier and product development.	4
B	Application is mainly good and the examples used were illustrative. However, some examples lacked substance and depth, such as the stated humour mentioned in the TV advertisement used in the UK. Such an approach limits the candidate to be awarded up to 3 marks for Criterion B.	3
C	There are justifications provided, but these are somewhat sporadic in nature. A good example of good justification was where the candidate provided a balanced argument with reference to the large Indian population in the UK.	3
D	The essay is well-structured with fit-for-purpose paragraphs which are clearly organized. Therefore, the essay is easy to follow and full marks are awarded.	4
E	There is appropriate consideration given to customers in India and the UK, with some balance provided. An individual stakeholder was not considered, so this prevents full marks from being awarded.	3
Total		17/20

Overall Comment

The candidate selected a good example to use for the application of culture. It is worth encouraging students to take a few moments before they write the essay to consider which organization and the best-fit examples to match the essay title question. Choosing a suitable organization with fitting examples will ensure the candidate scores well in most, if not all, of the assessment criteria.

The essay includes some good examples, but the explanations are sometimes a little vague so further detail would further improve the quality of this essay.

For Criterion E, customers were considered effectively in both India and the UK. However, to achieve full marks, the candidate needed to consider the perspectives of and impacts on an individual stakeholder, such as McDonald's CEO.

28. With reference to an organization of your choice, examine how ethics and globalization have impacted on its sources of finance.

Nike is a well-known multinational corporation, dominating the sports apparel industry, including footwear, accessories and equipment. At the end of the 2016 financial year, the value of the company was over \$98 billion. (A) Globalization and ethics have had both positive and negative impacts on Nike's choice and use of **sources of finance**. This refers to the internal and external finance available to a business for purposes such as revenue expenditure, capital expenditure and expansion. (K)

When raw material prices rose in the 1990s, Nike's production line was offshored to Indonesia, China, Pakistan and Taiwan. (A) This was possible through **globalization** which is the growing integration and interdependence of the world's economies, allowing businesses to trade internationally more easily and causing consumers around the globe to have increasingly similar habits and tastes. (K) For Nike, offshoring enabled costs to be cut significantly, causing profit margins to rise. (K) However, it was found that there was an issue with the low wages being paid by Nike to its overseas workers, especially in Indonesia where workers were only receiving 14 cents an hour, which was actually less than the country's minimum wage at that time. (A)(R) As a result, Nike faced unrelenting criticism from the media and human rights activists. For its unethical behaviour. (R) This had a temporary but significant impact on its sources of finance, as some banks refused to fund Nike's operations as it sought to grow in an ever-more globalized world. (R) Still, the case suggests that Nike was taking advantage of globalization and its ability to operate in less developed countries. (A)

The benefits of globalization are still significant for Nike. The company benefits from cheap labour abroad (as the minimum wage in the USA is significantly higher per worker per hour). It also reduces Nike's distribution costs to markets in Asia and the Middle East. This reduces the need to rely on additional sources of finance as costs are lowered. (R) Nike has also continued to capitalize on the global craze for football, sponsoring major events (like China's Super League) and football clubs (like Barcelona and Chelsea). Although this cost them a lot of money (£900m in the case of sponsoring Chelsea Football Club), the publicity that comes with this ultimately generates more sources of income for Nike. (R)

Ethics are the moral principles that guide decision-making and business strategy. Morals are concerned with what is considered to be right or wrong, from society's point of view. (K) Nike's mistreatment of workers in Indonesia was not the only case reported in the news media. The infamous 1996 Life Magazine publication that featured a photograph of a young Pakistani boy sewing together a Nike football for just six cents an hour shocked the world. (A) Children as young as three years old, who hadn't naturally mastered the use of scissors, were found to be working with their parents in Nike's factories in Pakistan. (A) When this information was revealed, Nike's CEO at the time, Philip Knight, was found to have lied to shareholders and that workers were not being mistreated. (I) Shareholders and pressure groups were not best pleased when further reports suggested that workers were being abused in the factories, with supervisors throwing shoes at staff who were unproductive – there was even a reported case of a worker being bashed on the head with a Nike shoe in Indonesia. (A) Moreover, it was found that around 30% of Nike's total operational costs in Indonesia

went to Indonesian generals, government officials, and cronies as payoffs. (A) The bad publicity about Nike's unethical practices meant that many shareholders decided to sell their shares; partly because they did not agree with Nike's practices, but also partly in anticipation of Nike's share prices falling. This meant other potential investors, including banks, lost interest in Nike and decided to invest in other companies, resulting in Nike losing an important source of finance. (R)

These so-called "Nike sweatshop factories" haunted the company for over 10 years and knocked shareholders and investors' confidence. (A) This again impacted the firm's two major sources of finance, share capital and loan capital. (K) It also meant smaller dividend payments for each existing shareholder. (I) However, over time, Nike was able to rebuild with the current CEO, Mark Parker who took over in 2006, placing ethics as a major part of the company's growth strategy in a global market. For example, he set up the Corporate Responsibility and Sustainability Committee. This committee makes recommendations to the Board of Directors, and is responsible for investigating sustainability (including labour practices), community engagement and charitable activities. (A) One strategy that came from the committee is Nike's commitment to using a carbon-based dyeing process that dyes garments without using water, thus reducing energy usage and waste. (R) In 2015, Nike published its first version of a CSR report, which included details of pay scales and working conditions in its factories. (A)

In conclusion, globalization and ethics have impacted greatly on sources of finance available to Nike, namely the ethical scandals of exploiting overseas workers having a major impact on its share capital and loan capital being reduced significantly. However, CEO Mark Parker, who recently celebrated being in charge of Nike for 10 years, has made a huge effort to ensure the ethical position of the firm has improved, whilst still taking advantage of globalization. This means Nike's shareholders are mostly satisfied with the way the business is operating today, especially as its share price has grown steadily (by about 350%) in the past 10 years. (A)(I)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good understanding of both concepts of globalization and ethics. The choice of Nike was fitting to cover both concepts in this essay, such as “the global craze for football”. Discussion of sources of finance were relevant and explained.	4
B	Application is excellent, with illustrative examples used effectively throughout the essay. The candidate had clearly researched the history of Nike’s ethical practices.	4
C	Reasoned arguments are presented and are mostly justified, such as Nike being more ethical today through its reduced water strategy. However, there were some lapses such as the discussion about the importance of share capital and loan capital for Nike.	3
D	All required elements are presented and ideas are generally clearly organized. Paragraph 2 is mainly about the impact of globalization, but this is intertwined with ethical issues about the low wages paid to workers in Indonesia. Nevertheless, this lapse does not detract from the overall quality of the presentation. The conclusion makes a clear link between the two concepts and sources of finance.	4
E	There is an interesting discussion of the two CEOs. There is also reference to Nike’s factory workers and shareholders, with evidence of balanced reflections.	4
Total		19/20

Overall Comment

A positive aspect of this essay is the candidate’s knowledge and understanding of Nike’s history. This was particularly good in terms of the specific details included (facts, figures, names and dates), leading to the provision of illustrative examples and good substantiated arguments.

For Criterion C, it is expected the candidate shows knowledge of business management content more explicitly throughout the entire essay. In this case, the candidate could have discussed the purpose and importance of share capital and loan capital (as sources of finance) in more depth.

The criterion for individuals and societies (Criterion E) was effectively explored. There was in-depth discussion of the CEOs, Nike’s factory workers and its shareholders, which was approached in a balanced and mindful manner.

29. With reference to an organization of your choice, examine the influence of organizational culture on business ethics.

Fairprice is a form of social enterprise. Founded in 1973, Fairprice is a retail co-operative with network of more than 160 outlets in Singapore. A co-operative is a non-profit organization as its main focus is to create value or benefit for its key stakeholders, the members of the co-operative, by providing goods or services at cost-price. (K)(I) Fairprice was founded by the labour movement to represent workers and its mission is to provide, customers with the best value, quality products and excellent service. (I) Its mission has a huge impact on organizational culture and this influences Fairprice's business ethics.

Culture refers to the values, beliefs and customs of people and organizations. (K) The corporate culture at Fairprice is shaped by its aim to carry out certain social objectives and responsibilities, based on helping the local community. Fairprice values its members and looks after their interests as a priority. (A) It has all-inclusive corporate culture with no discrimination in its recruitment policies. For example, it helps ex-convicts and former drug addicts to find employment and to re-integrate into the society. (I)(A) However, for the majority of the Singaporean people, the issue of ex-convicts remains a social taboo and it is still a long way for a general social acceptance of Fairprice's practice. (A)

Ethics refers to the socially accepted moral principles that determine business decision making. (K) Fairprice's business ethics is based on protecting the welfare of its worker-members and contributing any surplus back into the local community. Fairprice abides by an ethos of "individual member comes first", which has helped it to establish a positive brand image and customer loyalty. (A)(R) For example, Fairprice's business ethics include care for the elderly. It offers a Seniors Discount Scheme to senior citizens above 60, who enjoyed a 2% additional discount every Tuesday. Each member also accumulates points from their purchases which can be redeemed for certain household items. (I)(A) Thus, Fairprice's uses market segmentation, targeting various segments with discounts. (K) Although Fairprice acts ethically, there are challenges in finding suppliers who have good ethical practices.

Fairprice's corporate culture and ethics are intertwined, with Confucian values of benevolence. Its leaders are paternalistic and perceived as providers of their people's welfare. (A) Unlike its profit-driven competitors (such as Cold Storage, Giant, Jason Marketplace, Isetan and Shop N Save), Fairprice has cut prices on over 400 grocery items. (R) This pricing strategy helped worker-members pull through during the recent economic downturn in Singapore. (I) In July 2016, Fairprice launched new retail format, called FairPrice Shop for lower income groups, offering a smaller but more affordable range of products. (A) For example, the fresh vegetable products in this range are 5% to 10% cheaper than Fairprice's main competitors. This ethical practise will have a positive impact on lower-income customers. (I)

Fairprice's focus on ethical behaviour and its benevolent culture have proved to be highly successful. Today, it is Singapore's largest supermarket chain. Since Fairprice is less profit-driven, its prices have proven to be really attractive, making it difficult for other retailers to compete. (I) In fact, Fairprice is so successful that French hypermarket giant Carrefour pulled out of Singapore after 15 years of operation. (A)

In conclusion, there is a strong influence of Fairprice's organizational culture on its business ethics such as employment practices and pricing and promotional strategies. Fairprice's organizational culture in turn is shaped by its social objectives for protecting the welfare of its stakeholders. Fairprice's perseverance in pursuing these social objectives even in difficult economic times has become its unique selling point. Fairprice's ability to drive out competitors, intentionally or otherwise, despite being not a profit-driven business organization could be a model for others. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of culture and ethics are clearly defined and there are fitting examples used to demonstrate understanding. There is effective use of relevant business management content (as co-operatives, mission, social responsibilities, and unique selling point).	4
B	Relevant and fitting examples are used to illustrate business ethics and the organizational culture at Fairprice. The candidate has clearly researched the organization.	4
C	There is a balanced response in relation to culture and ethics. The candidate went as far as justifying culture being intertwined with business ethics at Fairprice.	4
D	All structural elements are present, with good use of fit-for-purpose paragraphs. The conclusion summarizes the main points of the essay and directly answers the question.	4
E	Both internal and external stakeholder groups are considered and supported with relevant examples. For full marks, the candidate needed to include the perspectives of and impacts on an individual stakeholder, such as Fairprice's CEO or one of its Directors.	3
Total		19/20

Overall Comment

There is a clear understanding of the concepts of culture and business ethics demonstrated through good definitions and examples. Although some business content, such as paternalistic leadership and market segmentation were not defined explicitly, they were used effectively and followed by relevant examples. This approach is accepted by examiners for awarding full marks for Criterion A.

A major strength of this essay was the use of specific examples, applied throughout the essay to show connection of the two concepts and business content. This allowed the top mark band to be awarded for Criterion B. Good reasoning has been provided in the essay, so full marks are also awarded for Criterion C. All requirements are met for Criterion D – with practise, this should be a straightforward way for students to get 20% of the marks for their CUEGIS essay. The only weakness of this essay was the omission of the perspectives of and impacts on an individual stakeholder, which is required for full marks for Criterion E.

30. With reference to an organization of your choice, examine how culture has impacted its marketing strategy.

Culture refers to a set of shared values, beliefs and social practices in an organization and **strategy** refers to a set of action plans to achieve the long-term goals of the organization. (K) The impact of organizational culture on the marketing strategy of Ocean Park, a not-for-profit marine-based theme park located in Hong Kong, is discussed in this essay. The **marketing strategy** refers to the process of conveying a firm's marketing goals and actions in order to achieve a competitive advantage. It entails the management of the organization's services, pricing and promotional strategies. (K)

Ocean Park (OP) relies on an effective marketing strategy to provide services that meet the anticipated needs and wants of its customers. (K) The marketing strategies should also be dynamic and responsive to external changes. The 1997 financial crisis led to 4 consecutive years of losses for the OP; the timing couldn't have been worse as the government had announced plans to introduce a Disneyland theme park in Hong Kong to stimulate the local economy by 2005. Many people thought the opening of an internationally established competitor, owned by the largest entertainment company in the world, would be the end of OP. (A) However, OP modified its marketing strategy based on its organizational culture to turn the deficits into profits, and to take on the might Walt Disney Company.

OP knew that direct competition with Hong Kong Disneyland (HKDL) would be disadvantageous. Instead, it revised its marketing strategy to focus on its original corporate culture of 'edutainment'; a combination of education and entertainment. (A) This cultural influence enabled OP to retain its marine and wildlife attractions which complement its amusement rides, and furthered its additional services of educational tours and lessons regarding natural conservation. (A) The preservation of OP's 'edutainment' culture allowed the company to differentiate itself against HKDL. As OP's Marketing Director, Mr. Paul Pei, said "we have real mice; the other theme park has a fake mouse!" (A) Something that OP can do, based on its culture, is to add value to their customers through educating them about marine life and nature conservation. (A)(R) This is different from HKDL's offerings of a fantasy experience.

OP is HK born and bred, so HK life and culture is ingrained in its marketing strategy. Hence, its marketing strategy has focused on Hong Kong to appeal to tourists and local citizens; again the HK culture is something that Disneyland cannot really tap into. For example, since 2007, OP has allowed free entry to any HK citizen in possession of a Hong Kong permanent identity (HKID) card on their birthday. (A) This marketing strategy affirmed OP's corporate culture of solidifying its role as the 'theme park for Hong Kong citizens'. (A) In addition, anyone aged 65 or over with a permanent HKID card gets year-round free entry into OP. (A) According to Paul Pei, this strategy has created incentives for many more HK citizens to visit OP, and has led to an increase in overall visitor numbers. (R) Although he is not remunerated by commission (as OP is a NPO), the increased number of visitors is good for his own job security, self-esteem and morale. After all, he is the Director of Marketing so should be credited for his efforts in turning around the organization. (R)(I)

Ocean Park is a non-profit organization, owned by The Hong Kong Jockey Club (HK's largest charity). Hence, its organizational culture dictates that admission prices must be approved by the government to ensure that OP's pricing schemes are in the best interest of its primary target market – local HK citizens. (I)(A) At the time of writing, OP's one-day pass is much lower at HK\$385 compared to HKDL's price of HK\$539, offering better value-for-money for its customers. (I) In addition, OP boasts 80 attractions, compared to HKDL's 45. (A) Hence, it is clear that the organization culture of OP has directly impacted its marketing strategies.

However, there are some contradictions to what Mr. Paul Pei claims about OP being “all about Hong Kong” and its new corporate slogan “Love Hong Kong, Love Ocean Park”. OP's Halloween Bash (which adopts a western culture) is one of the theme park's largest revenue earning events of the year. Although the marketing strategy is modified to cater for the local community (such as using Chinese ghosts and famous actress Helena Lan in television adverts to promote the event), it is an event largely based on Western societies, (A) rather than an authentic Hong Kong attraction. (R) Another marketing strategy that suggests OP is not entirely about focusing on its culture is that many of their adverts are now similar to Disneyland's, with a greater emphasis on their thrill rides and roller coasters; there has been a noticeable reduction in the focus on its aquaria and pandas. (R) Similar to HKDL, Ocean Park is in the process of having two hotels being built by the Marriot group. Paul Pei used to work in the hotel industry, so it is perhaps not a surprise that HK's home-grown theme park has moved in this direction (not necessarily because of its organizational culture). (A)(R)

In conclusion, the concept of culture has overall proved to be instrumental in Ocean Park's marketing strategy and to successfully overcome the threats it has faced. Culture is embedded in OP's marketing strategies, such as its 'edutainment' (targeting schools about its education and nature conservation programmes) and giving back to the HK community. This has resulted in a successful turnaround for OP which not too long ago was not far from permanent closure. Its unique selling point is Hong Kong and HK culture. It is widely reported that OP has more visitors than HKDL. (R)

Feedback Sheet

Criterion	Feedback	Marks
A	The concept of culture is clearly understood. Relevant business content has been explained effectively in the context of Ocean Park's marketing strategies.	4
B	There is excellent application, with effective use of examples relevant to the title question. Application is evident throughout the essay.	4
C	The candidate provides a balanced set of arguments, including consideration of Western cultures on the impact of OP's marketing strategies. Reasoning is substantiated and evident throughout the essay.	4
D	All structural elements are present. The candidate has used fit-for-purpose paragraphs, with a substantiated conclusion.	4
E	There was appropriate reference to and consideration of Hong Kong citizens (the main targeted group of customers) and the local HK community. As an NGO, reference to shareholders is not required by the candidate in this essay. The Marketing Director, Paul Pei, was suitably referred to on several occasions.	4
Total		20/20

Overall Comment

This is an excellent essay, with the candidate clearly showing good knowledge and connections of the business management concepts, content and context. Specific examples from Ocean Park were well applied throughout the essay.

Note to teachers:

This particular candidate benefited from attending a field trip to Ocean Park where the class was addressed by Paul Pei, Ocean Park's Director of Marketing, about the organization's marketing strategies. This case study suggests that students can gain an immense amount from attending well-planned education trips.

31. With reference to an organization of your choice, discuss the importance of ethics can influence innovation.

One of the organizations that I have studied is Orrick, a global law firm established in San Francisco, California. Orrick was started as a partnership by Jarboe and Goodfellow in the early 1900s. (A) A partnership is defined as a profit-oriented business owned by 2 or more individuals. (K) Today, Orrick has grown to become one of the top 20 leading global law firms with offices in Asia, Europe and North America. (A)

Providing professional legal services to clients requires strong ethics. **Ethics** in business is defined as the moral considerations and integrity behind every decision a business makes. (K) This is especially applicable to Orrick as the partners and employees owe a duty of care and confidentiality to its clients. (R) Orrick has to comply with the Model Rules of Professional Conduct, crafted by the American Bar Association (ABA). Lawyers are practitioners of the law and uphold honesty, fairness and justice. Thus there is a moral obligation of lawyers to ensure the highest standards of ethical conduct. (A)(R)

While clients are the most important external stakeholder group for Orrick, they frequently face ethical dilemmas while providing legal advice and services to their clients. (I) These problems could involve dealing with general misconduct or illegal deeds. (I) For example, it is not uncommon for some wealthy clients to request for unlawful transactions, such as opening of shell companies for tax evasion and money laundering purposes. In 2016, a whistleblower from Mossack Fonseca, a Panamanian law firm, leaked 11.5 million documents that detailed confidential client information in thousands of offshore business organizations. The *Panama Papers* revealed how some transactions were used for illegal purposes, including fraud, money laundering and tax evasion. (A)(R) Thus, to Orrick, an advantage of ethical practices would be the goodwill built up from its clients and the reputation and confidence of key stakeholders from the local communities in which they operate. Acting ethically and with integrity means Orrick can avoid disciplinary actions and law suits of its own. (R)

Innovation to Orrick would refer to creating new, original sources of revenue based on changes in the industry and changing demands from its clients. (K) Ralph Baxter, the Chairman of Orrick, identified 5 key sources of revenue: provision of services, energy and infrastructure, finance, intellectual property and litigation. (A) However, the legal framework and ethical obligations often mean the innovation is hindered by ethics. (R) Still, even law firms need to innovate in order to prosper over time. For example, Orrick implemented an innovative “talent model” for its employees. (I) This program enables Orrick’s employees to be better appraised using a merit-based advancement framework. To an individual employee or partner at Orrick, this would motivate him or her to be more committed at work (due to the potential financial rewards). This would ultimately lead to higher returns (remuneration and bonuses) for Raph too. (I)

The purpose of innovation for Orrick is to continuously create unique services for its clients that differentiates it from other law firms. However, this has to be done in such a way that actions are ethically sound in order to preserve the corporate image and sustainability of the organization.(R) With over 1,100 lawyers across 23 different countries, establishing a corporate culture of always acting ethically, has a direct impact on the state of innovation at Orrick.(A)(R) In today's highly competitive legal industry, clients are more cost-conscious, value-focused and knowledgeable. This is particularly the case for one of its largest customer groups – companies in the high-tech industry.(I)

Although the marketing practices of law firms are restricted by regulations in most countries, this does not prevent Orrick from being innovative with its branding, customer loyalty programmes and product differentiation.(R) However, the cost of innovation is high as Orrick has to continually spend money on market research (such as varying intellectual property rights in different countries) and the upgrading its IT systems.(R)

In conclusion, ethics plays a major role in influencing innovation at Orrick. In the ever competitive world economy, businesses need to innovate in order to gain competitive advantages and survive, and this applies even to traditional professions such as law firms. However, there are always grey areas in terms of ethical obligations for law firms, especially when dealing with very wealthy clients.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of ethics and innovation are defined clearly. Relevant business terminology has been defined and/or used appropriately throughout the essay (such as partnership, goodwill, IRP and remuneration).	4
B	Examples are used throughout the essay to illustrate the concepts of ethics and innovation. There is very good application of Orrick, suggesting that the candidate has carried out in-depth research on the organization.	4
C	Relevant arguments regarding ethics and innovation are presented and with justifications in most places. However, there were some lapses in reasoning. For example, the candidate mentioned Orrick's "merit-based advancement framework", but this was not developed.	3
D	All structural elements are presented, and the essay is clearly organized. The conclusion provides a balanced argument with justifications.	4
E	Internal and external stakeholders are considered in this essay, using relevant examples. Individual and group perspectives are also discussed. However, the discussion lacked depth in certain places and could have been more balanced to ensure full marks for this criterion.	3
Total		18/20

Overall Comment

The candidate provided good coverage and clear understanding of the concept of ethics and its influence on innovation at Orrick. This was evident throughout the essay. There were some good connections made, linking ethics with innovation. Despite evidence of reasoning and critical thinking in this essay, this was not sustained sufficiently to reach 4 marks for Criterion C. Finally, as most candidates struggle to achieve full marks for Criterion E, it is worth noting that they should consider both positive and negative implications on individual and group perspectives.

32. With reference to an organization of your choice, examine how product differentiation is used as a strategy in response to change.

OSIM International Limited was established in 19080 by Ron Sim, founder of the Singaporean household products and electronics firm. However, with a limited domestic market in Singapore, OSIM sought strategic approaches to expand in new markets such as Indonesia, Malaysia and Taiwan. Today, OSIM has grown into a global leader in healthy lifestyle products, such as massage chairs. (A) **Change** refers to how a business, such as OSIM, adapts to suit variations in the internal and external business environments. (K) For OSIM, changes in lifestyle and demographics indicate that consumers in Asia are getting wealthier, especially in China. Market research indicated that the rising middle class will continue to demand innovative healthy lifestyle products, which has led to OSIM's healthy profits. (A)

To cater for a growing global market, OSIM has adapted well through product differentiation. **Product differentiation** refers to how a business is able to make its products stand out from those of its competitors. (K) In response to changes in lifestyles and the growing emphasis in wellbeing, Ron Sim has emphasized the need to continually develop innovative and quality products to encourage healthy living. Its branding and promotional strategies have been highly successfully in making OSIM stand out from its competitors and make it a global leader. (R) According to the CEO, Ron Sim, OSIM is positioned positively as being a luxury, high quality brand of healthy living electronic products. (A) As part of its strategy, OSIM focuses on developing high quality products using elegant designs, enabling it to differentiate itself from its rivals. A **strategy** is a long-term plan by an organization to achieve the goals set by senior decision makers. (K)

OSIM has consistently won internationally-acclaimed prestigious awards for its designs and products such as its uVenus, uSpace, and uScale BF massage chairs. The endorsements of OSIM's outstanding product design and high quality are major features of its marketing strategy to further differentiate itself. (A)(R) OSIM has therefore gained the advantage of brand recognition and customer loyalty. (R) Riding on the strength of its brand, OSIM was able to weather the global financial crisis in 2008 as sales were stable, thus pleasing OSIM's employees (job security). In fact, the company has grown further with more than 590 OSIM outlets in Asia, Africa, Europe and the Middle East today. (A)

Another advantage from its product differentiation is that OSIM is able to meet changes in consumer preferences. (R) Today's customers (external stakeholders) expect more from their lifestyle products and look for a more enjoyable shopping experience. OSIM's products are showcased in their retail outlets with sales staff trained to provide each customer a personalized service. For example, customers can try all of OSIM's in-store products in a comfortable and non-hassle environment. Some stores now have new VIP massage chair rooms, targeted at loyal customers who can enjoy a good massage in an OSIM massage chair in total privacy and luxury. (A) This also allows an individual customer to feel empowered and special. (I)(R) Thus, through its successful differentiation strategies, OSIM is able to command premium pricing on its products, especially as consumers (according to Ron Sim) prefer OSIM products for its superior brand, quality and innovative technologies. (R)

However, despite the success of its product differentiation, OSIM has attracted a number of competitors, such as Ogawa and Oto. Although these are price followers, there have been other cases of rivals launching fake or counterfeit versions of OSIM's products in China (its fastest growing market). News about quality issues with the counterfeits generated bad publicity for OSIM as consumers could not clearly distinguish them from authentic OSIM products.(A) In addition, the first-mover advantage from product differentiation is short-lived as other local competitors such as SINOMAX come up with similar quality massage chairs but with more features and at lower prices.(A)(R) This may advantage some consumers as they have access to more choices of quality lifestyle products.(I)

Another limitation of product differentiation is that it is very costly. To distinguish itself as a premium brand, OSIM uses high profile celebrity endorsements(K)(A) at the center of its marketing strategy. For example, Asian celebrities such as Andy Lau, Sammi Cheng, Gong Li, Lin Chi Ling, S.H.E, Liza Wang and many others are used as celebrity endorsements to create an impression that its products are befitting for divas and superstars.(R) In addition, there is a constant need to spend on new product development of its lifestyle products. This could be a drain on OSIM's resources as it has to continuously invest in R&D to differentiate itself from its competitors. This could harm the returns paid to managers and directors (bonuses) and shareholders (dividends), as not R&D spending generates profit for the firm.(I)

In conclusion, product differentiation has been a highly successful strategy for OSIM. As a key marketing strategy in response to changes in lifestyle and the growing affluent groups across China and other countries, OSIM has used product differentiation strategies to establish itself as a premium brand. Its continued success depends on how it continues to innovate itself. However, this comes at a cost and has implications to various stakeholders.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of change and strategy are clearly understood, with good definitions and examples used. There is also competent use of business management content throughout the essay.	4
B	Examples are used effectively to illustrate product differentiation as a product differentiation strategy in response to changes faced by OSIM. The candidate has clearly researched the organization and used fitting examples in the essay.	4
C	There is reasoning provided in each paragraph of the body of the essay. Relevant arguments for presented and justified, such as OSIM targeting VIP customers in response to a growing affluent market segment.	4
D	All structural elements are present.	4
E	Internal and external stakeholders are considered and these are supported with relevant examples. Perspectives of and impacts on customers are covered in sufficient depth. Although shareholders, managers and directors are mentioned, this lacked depth. There is appropriate reference to the CEO, Ron Sim.	3
Total		19/20

Overall Comment

The candidate was able to achieve full marks for Criterion A because he was able to show an understanding of the concepts of strategy and change. For example, he explained how OSIM's product differentiation strategy allows the company to stand out from its competitors. Appropriate examples are used throughout the essay, such as OSIM's personalized customer service, enabling the candidate to gain full marks for Criterion B. Reasoning is provided throughout the essay, such as the high costs of celebrity endorsements as a (successful) differentiation strategy. There are discussions of individual stakeholder (the CEO of OSIM) and group perspectives, although the lack of depth and balance resulted in the loss of 1 mark for Criterion E.

33. With reference to an organization of your choice, examine the importance of innovation and globalization in operations management.

Most famous for its Indomie brand of instant noodles, PT Indofood CBP (Indofood) is one of Southeast Asia's leading food and beverages manufacturers. Its diverse consumer branded products includes noodles, dairy products, snack foods, food seasonings, beverages, and specialty foods. (A) **Operations management** refers to production processes of ensuring the right goods in the right quantities meets consumers' expectations and needs. (K)

Being a well-established household brand, Indofood has a large market share. It strives to continuously innovate, focusing on consumers' needs by improving processes and technologies. In fact, continuous innovations in Indofood's operations management are critical success factors in transforming Indofood to become a globalized brand. Its products are sold across America, Africa and Australia. (A) To satisfy its customers, Indofood's continuous innovation with a strong focus on consumer needs allows it gain a competitive advantage over its foreign competitors from Japan, Taiwan and China. (I)(R)

Innovation refers to businesses initiating improvements and finding new ways to gain or remain competitive. (K) Indofood's continuous innovations aim to create contemporary style and visually and tastefully appealing foods, and to deliver strict hygiene and long-life protection to its customers and workers alike. (A)(I) Indofood adopts the latest technologies to meticulously guard the quality of its packaging in its production processes. For example, Indofood's innovations in printing, lamination and slitting processes create high-quality packaging and increased production efficiency. (A) This enables Indofood to cater for the growth of its existing customer base while attracting new customers in order to increase its sales revenues. Hence, the innovative operations management processes have resulted in higher dividend payouts to its shareholders. (I)

Globalization refers to the growing interactions and integration between the people, firms and governments of different countries. (K) With the integration of regional markets, globalization presents many expansion opportunities for Indofood. Being a member of ASEAN, a large trading block of South East Asian nations, goods originating from Indonesia enjoy a preferential tariff rate of 0-5 % under the Common Effective Preferential Tariff (CEPT) scheme. (R) Hence, Indofood gains price advantages compared to firms from non-member countries when exporting to customers in ASEAN member states such as Malaysia, Thailand, Vietnam and Cambodia. (K)(R)

Globalization brings about more choices for consumers around the world. With larger operations around the world, Indofood benefits from huge economies of scale, which can result in lower prices for customers. (I) However, the biggest threat of globalization is that it has increased the amount of competition, such as Nissin's Cup Noodle (from Japan) and Nestle's Maggi Mee (Switzerland). (I)(A) Hence, its continued pursuit of innovation in packaging processes, for example, goes beyond the basic function of product protection. (R)

Another impact globalization has on operations management is ensuring quality assurance issues. Indofood needs to comply with the different laws in the countries in which they operate. In 2015, Maggie noodles (one of Indofood's rival products) were banned in India due to concerns of excess levels of lead in the product as evidenced by several major Indian states which had carried out the tests. (A) Negative publicity like this could also have an impact on Indofood's Indomie noodles as customers might think the same of all instant noodle brands. Indofood's CEO, Anthoni Salim, has a moral and legal duty to ensure that strict food and safety standards are met worldwide. With their products sold all over the world, the CEO has to ensure the company's operations management follows the standards and regulations set by The National Agency of Drug and Food Control and other international bodies to ensure Indofood products are safe for consumption. (I)(A) Indofood is also certified by ISO 9001 and ISO 22000, but this means higher costs due to the processes needed to meet such strict standards. (R)

In conclusion, innovation and globalization are important concepts that affect Indofood's production or operation management in different ways. It has to be more innovative to remain competitive in an ever globalized world where consumers have more choices as producers are plentiful. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of globalization and innovation are well explained, with good use of illustrative examples. There is a good understanding of operations management, with appropriate terminology used (such as economies of scale, quality assurance and packaging processes).	4
B	Examples are used to illustrate the impacts of innovation and globalization for Indofood's operations management. The candidate has clearly researched this organization thoroughly and has been rewarded accordingly.	4
C	Relevant arguments regarding innovation and globalization are presented with good justifications throughout the essay.	4
D	All structural elements are present, but the conclusion lacks breadth for full marks to be awarded.	3
E	Internal and external stakeholders are considered with examples. The CEO is referred to as an individual stakeholder but this could have been developed further. Group stakeholders are referred to (such as customers and workers), but only the positive impacts are acknowledged.	3
Total		18/20

Overall Comment

This essay provides good background information on Indofood. The candidate has selected a fitting real-world organization which allowed for worthy application. It would not take much to turn this essay into a 20/20 essay, with more practice and better exam technique. Perhaps the candidate ran out of time towards the end so was unable to develop the conclusion (Criterion D). For Criterion E, both positive and negative implications for individual and group perspectives are required to achieve the full 4 marks.

34. With reference to an organization of your choice, discuss the extent to which globalization influences human resource strategies.

Globalization refers to the integration and interconnectedness of the world's people, customs and businesses as a result of increased trade and cultural exchanges.(K) It is an important concept to businesses such as Riot Games (RG) as it plays an instrumental factor in decision-making processes with regard to growth and hence its HR strategies. RG is a direct-to-consumer video game developer and premium online competitive games. RG launched its debut title, League of Legends (LOL), a multiplayer online battle arena (MOBA) game, in October 2009. RG's emphasis on providing a unique experience to each individual player,(I) rather than focusing on sales revenues, has made it the market leader with 66% of the global MOBA market.(A) LOL is a free game and RG's revenue comes from in-game purchases (spending). More than 100 million gamers around the world play LOL each month, logging more than half a billion minutes of playtime. LOL earned \$1.6 billion in revenues for RG last year. In-game spending is growing as more players around the world become accustomed to the free-to-play platform.(A) RG's domination of the MOBA market is also indicative of its sound human resource strategies.

Human resource strategies refers to the processes of predicting and meeting an organization's current and future staffing needs.(K) It includes consideration of long-term workforce planning decisions in order to achieve organizational goals. RG's talent acquisition has included the need to hire gifted employees from overseas.(A) In fact, RG has been named in *Fortune's 100 Best Companies to Work For* list for two consecutive years and was ranked 39th in 2016.(A)

The impact of globalization presents a big challenge for RG's HR Director, Jay Moldenhauer-Salazar. He attributes RG's success to the company's desire to attract, develop, and cultivate entrepreneurial teams who prefer action over processes and bureaucracy.(I)(A) RG mandates the use of a decentralized organizational structure by function, such as production, finance, brand management, merchandising, player support (customer service) and R&D.(A) In a decentralized structure, decision-making and responsibility are shared with others and department heads are empowered to make decisions.(R)

Advantages of having a decentralization HR strategy include input from its experts and talented employees, and faster decision-making.(R) For the employees, this improves morale as they feel more valued and trusted with decisions, e.g. animators and visual art designers are more inspired as they can use their creativity without the need to get art work approved by Brandon Beck, the company's CEO or RG's board of directors.(I) This does mean that Brandon and the BOD may suffer a loss of control, however.(I) On the other hand, decentralization is associated with increased costs through better pay packages and rewards for the employees(I), and there is a need to ensure effective communications in decentralized organizations.(R) The strategy seems to work for RG though as it is known in the industry for having loyal workers and a low labour turnover rate.(R)

Another result of globalization is that RG has had to operate several key servers in North America, South America, Europe and Asia, so RG's HR strategy includes the use of overseas staff. Due to the need for global communications in different time zones, RG offers workers paid time off (PTO) to provide support for its employees to balance family and work. (A) To cater for the different time zone, RG's offers flexible hours to its employees. This is important as RG deliberately recruits the best talents, so empowering them in a global and competitive industry makes total sense. (R) For employees, they have the autonomy to get on with their work, subject to meeting deadlines of course. (I) The disadvantage of this HR strategy for Jay Moldenhauer-Salazar and Brandon Beck is the limited control and co-ordination of RG's employees. (R) Quality assurance is somewhat trickier perhaps in a decentralized organization that requires consistency in the computer animation artwork and stability of its gaming servers. (A)

In conclusion, globalization has a major influence on RG's human resource planning and strategies. To meet the demands created by globalization, RG structures its business by function and has enhanced its overseas recruitment through work family friendly practices. RG's HR strategies have both positive and negative implications to respective stakeholders from employees, department managers, Moldenhauer-Salazar and Beck. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of globalization and strategy are appropriately defined and explained throughout the essay. The same applies to business management content, such as human resource planning, decentralization, empowered and labour turnover rate.	4
B	Examples are used to illustrate human resource strategies in the context of Riot Games. The candidate made effective use of fact, figures and stakeholders of the organization.	4
C	Relevant arguments have been presented in balanced way. For example, there are arguments for and against decentralization, with justifications provided. Good reasoning is shown throughout the essay.	4
D	All structural elements are present, including a purposeful introduction (albeit a bit long) and a fitting conclusion.	4
E	Both internal and external stakeholders are considered and supported with relevant examples. Both individual stakeholders (HR Director and CEO) and group perspectives (employees) are discussed appropriately throughout the essay.	4
Total		20/20

Overall Comment

The concepts of globalization and strategy are explained well in this essay. The candidate demonstrates good knowledge of business management content throughout the essay, using well-applied examples. Examiners expect candidates to be able to explain the key concepts together with a sound understanding of the chosen business organization. This essay was excellent because the candidate demonstrated good connections between the real-world examples from Riot Games and the underlying key concepts and business management content.

To score as well as this candidate, there must be evidence of critical thinking. One way to show this is to provide balanced, two-sided arguments. For example, advantages and disadvantages of decentralization were discussed in the context of Riot Games, with justifications given.

Positive and negative implications to both individual and group stakeholders were provided for full marks in Criterion E. There was only some reference made to players / gamers (customers), although this does not detract from the overall quality of the essay.

35. With reference to an organization you have studied, examine the impact of strategy and change on its objectives.

Samsung was founded in 1938. As South Korea's largest company, it produces a huge range of products including home appliances such as TVs, refrigerators, and washing machines as well as cameras, smartphones and tablet computers. Sales of smartphones are a major source of Samsung's revenue streams. One of Samsung's **objectives** is sales growth as declared in its annual statement "to achieve annual sales of USD 400 billion by 2020" (which is a staggering \$95 billion more than its global sales last year). Another of its objective is "to have overall brand value among the global top 5".(A)

Samsung embraces changes quickly in order to meet its objectives. **Change** refers to adapting to internal and external factors that impact on an organization's operations.(K) Samsung is good at learning from its competitors and making changes quickly to make sure they it remains an industry leader by continually meeting the needs of their customers. For example, when the first version of iPhone came out, Samsung launched its smartphone "GalaxyS" with similar designs and functions but tapped into a major demographic change – it was no longer the young who bought smartphones but the older generation who needed larger sized phones (which Samsung supplied, but Apple ignored).(R)(A) As a result, the "GalaxyS" gave Samsung increased global brand awareness.(R)

However, this strategy was heavily criticized by Apple who claimed that Samsung had copied its 'Slide to unlock' technology and for making their phones look too much like the iPhone. This resulted in a court ruling with Samsung losing a high profile case in the USA.(A) Still, the strategy ultimately worked in Samsung's favour as its smartphones became Apple's biggest rival.(R) Global sales increased and brand awareness improved.

Samsung's **strategy**, which refers to its long term plans to meet its aims, is to produce a variety of devices to meet the wants and needs of a global consumer market. Its strategy includes research and new product development. Unlike Apple, Samsung is receptive to market research to inform its business strategy. For example, its market research showed that consumers wanted a smartphone with a high-end camera so they would not need to carry two devices (digital camera).(A) On the other hand, Apple innovates first, preferring to take a product oriented strategy whereas Samsung uses a market oriented strategy to meet objectives.(A) The Samsung Note is another example. Samsung found through market research that Asian-language speakers in particular wanted a device that they could hand-write on, because drawing characters is easier with a stylus pen.(I)(A) Samsung reacted quickly and produced "The Note" – a combination "phablet" (phone + tablet) that has been an unexpected huge hit for Samsung.(A)

A disadvantage of Samsung's strategy is that its smartphones and phablets are still not regarded as innovative as Apple's iPhone, so perhaps they do need to take more risks. Apple's CEO Tim Cook has put a bigger dent in Samsung's direction by launching larger phones, starting with the 6S Plus, and now the 7 Plus. (A) Moreover, Samsung's strategy mainly aims to meet the market's needs rather than innovation to cater for change or to initiate changes in the market. (R)(A)

To conclude, Samsung has embraced change and business strategy to ensure its products meet the organization's objectives of increased sales and its global brand awareness. Changes in the market for smartphones, which no longer serve as just phones but multi-purpose devices, have increased sales and brand awareness for Samsung, which ultimately helps it to achieve its objectives. Shareholders will be happy with the overall performance of the company as brand value, share value and return on investment have all grown. (I)(A) However, Samsung's perceived strategy of imitating Apple's products and technologies has caused some problems, including damage to its brand image as being less innovative and proactive to change. Some members of the public casted doubt on Samsung's ethical practices as a result of this. Still, with overall sales of \$305 billion last year, Samsung's strategies are effective overall, and it is on target to reach its objective of \$400bn of sales by 2020. (A)(S)

Feedback Sheet

Criterion	Feedback	Marks
A	Change and strategy were defined clearly. Objectives should have been defined to demonstrate knowledge and understanding, although a couple of examples were provided. Overall, there is a good understanding of the concepts, content and context required for this essay.	3
B	The concepts and business management content are generally well applied and the candidate shows good knowledge of Samsung, e.g. the market research findings about its Asian customers. However, applied examples beyond smartphones may have been more effective for a conglomerate as large as Samsung, and perhaps too much time was spent discussing Apple.	3
C	Arguments are mostly relevant, with evidence of reasoning in the essay. However, several points and examples were not justified or clearly reasoned. For example, the court case (Apple vs Samsung) was not linked to strategy or a change in Samsung's objectives.	3
D	All the structural elements are included and ideas are mostly clear and easy to follow. The conclusion summarizes the essay in relation to the title question, so overall this is sufficient for full marks.	4
E	The perspectives of two stakeholder groups are explored in sufficient depth. The perspectives of an individual, such as the CEO, has not been considered.	3
Total		16/20

Overall Comment

Whilst this essay scored a good mark overall, it is important to remind students to use fitting examples in their CUEGIS essays. Simply including examples (such as Apple taking Samsung to court over accusations that it had copied Apple's ideas) without making clear connections to the title question would not warrant full marks for Criterion B (application) and Criterion C (reasoning).

Nevertheless, the candidate has included some illustrative examples in the essay, including reference made to Asian customers who prefer to write characters on handheld devices. This tied in well with the arguments about Samsung being market oriented in its strategy.

36. With reference to an organization of your choice, examine the influence of culture and ethics on different stakeholder groups.

Shangri-La Asia Limited (SAL) is a multinational hotel company owned by the Kuok Group, founded by Malaysian Chinese businessman Robert Kuok in 1971.(A) The Group attaches much importance to the concepts of ethics and culture, which in turn enhance the overall profitability and reputation of the Group. The Group's corporate culture and business ethics create positive impacts on its various external and internal stakeholders, which will be examined in this essay.

External stakeholders include the suppliers, governments, shareholders, customers, environmental activists, hotel critics in the mass media and financial creditors.(I) The internal stakeholders refer to SAL's employees, managers, the CEO and CFO, the board of directors and the company's Chairperson.(I)(K)

Culture is defined as the way and philosophy that SAL operates, i.e. how and why things are done in the way they are.(K) The culture is realized in its planning, decision-making and strategy implementation. SAL's organizational culture means that the company's values and heritage over the past 40+ years influence how a manager leads and what employees focus on and how they work.(I)(A) Kuok was inspired by James Hilton's novel *Lost Horizon*, which envisioned to provide serenity and quality service for which the Group's hotels and resorts have become synonymous with (the name Shangri-La was a mythical place described in Hilton's 1933 novel).(A) The Group identifies its own culture as Asian hospitality (the company is headquartered in Hong Kong and opened its first hotel in 1971 in Singapore), with its motto "pride without arrogance". It endeavors to serve with pride while remaining humble.(A) The impact of strong Asian values, also influenced the CEO to show a paternalistic style of leadership.(I) The current CEO is Beau Kuok, one of the sons of founder Robert Kuok.(A) The advantage of this style of leadership is employees feel a sense of belonging and being looked after. However, there is not much room for decision making by employees in more junior positions.(I)(K)

The 5 core service values of SAL, embedded in its corporate culture, are respect, humility, courtesy, helpfulness and sincerity.(A) These have positive impacts on SAL's customers and hotel critics because these external stakeholders receive quality services so are more likely to visit the hotels again.(R) Moreover, having a good reputation enhances the Group's profitability, so internal stakeholders such as employees and managers also benefit by having a better job security, career progression opportunities and bonuses.(R) The Kuok family strongly believe that a culture containing these core values ensures the Group have never had to downsize their workforce, not even during the Asian financial crisis of 1997 and the more recent global financial crisis in 2008.(I)(A)

Ethics, in the context of business management, is defined as the moral decisions and actions taken by the Group.(K) This is shown by SAL's unfailing efforts to promote sustainability and preserving the natural environment. For example, SAL managed to reduce 20% of its carbon footprint intensity and 15% of its water footprint by 2015 based on the levels set back in 2010 despite having expanded their business.(A)

Successfully curbing its average energy consumption in this timeframe means SAL has committed to ethical practices towards its various stakeholder groups such as pressure groups (environmental groups), local governments and the many communities in which they operate across the world.(R)(I) Furthermore, SAL purchases food produce from farmers, herders, butchers, and other producers who work with respect for the environment and the ecosystem.(R)(I) This suggests that SAL does not aim at profiteering in the short term at the expense of the environment in the long term.(R) In fact, some would argue that ethical practices actually reduce the operation costs in a sustainable way, such as by avoiding fines imposed by the governments in the case of breaching any environmental ordinances.(R) As a result, shareholders could gain from SAL's higher profitability in the future.(R)

In conclusion, SAL's strong organizational culture and ethical business activities ensured a win-win outcome for its external and internal stakeholders. SAL has made substantial efforts to protect the natural environments in which it operates, and taking social responsibility for its stakeholders. The company's five core values have reinforced SAL's prosperity and helped to maintain goodwill of customers, financiers and suppliers to last into the future.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of culture and ethics are defined and well explained. Whilst examples of stakeholders are appropriate, the term has not been explicitly defined, but there is sufficient evidence to show clear understanding. Key terms have been used appropriately in the context of SAL, e.g. profitability, pressure groups and sustainability.	4
B	Relevant examples are applied throughout the essay. However, some of the explanations lack sufficient depth, such as the paternalistic culture of the CEO for a large multinational company that also operates in (other cultures including) Europe, the Middle East, Australia and North America.	3
C	Relevant arguments are presented with evidence from SAL. However, only positive implications are discussed and there was an absence of counter arguments and acknowledgment of other issues regarding culture and ethics, e.g. differences in perceptions and cultural norms in overseas markets. Nevertheless, the arguments are mainly justified well.	3
D	All structural elements are present, with effective use of fit-for-purpose paragraphs and a suitable conclusion.	4
E	The candidate addresses both individual and stakeholder group perspectives, but the arguments about the CEO's individual perspective could have been more detailed for full marks.	3
Total		17/20

Overall Comment

This essay provided good conceptual understanding of culture and ethics in the context of SAL. There was also good use of relevant business management content. Definitions were clearly identified and this enabled the candidate to score full marks for Criterion A (despite stakeholder not being explicitly defined, it is clear the candidate understands the term, having provided fitting examples to distinguish between internal and external stakeholders).

The essay lacked evidence of critical thinking in some areas, which was a penalizing factor for Criterion C. A balanced evaluation of stakeholders (individual and group perspectives) is needed for the top mark band in Criterion E. The essay made relevant references to an individual but the application seemed to be rather generic and lacked some depth.

37. With reference to an organization of your choice, examine how change and culture have impacted on conflict and conflict resolution.

In 2005, BenQ, a Taiwanese electronics firm acquired Germany's Siemens' struggling mobile phone division. (A) At the time, Siemens's mobile phone division was making a huge loss, so it was a risk for BenQ to go ahead with the takeover. (R) The takeover meant that BenQ-Siemens became the sixth largest mobile phone company in the world. (A) Furthermore, as with any acquisition, there were additional conflicts, which had to be dealt with. These were namely due to the diversity between the German and Taiwanese cultures, language barriers and resistance from German employees.

Culture is the formed norms and values of an organization and therefore affects the way a business works and behaves. (K) Having a strong corporate culture is beneficial to individual organizations, but this also creates problems during an acquisition. In this case, **conflicts** (i.e. the opposing interests of individuals and groups) are triggered because BenQ's and Siemens' cultures clash. Founded in 2001, BenQ has a collectivism culture, with a much flatter organizational hierarchy than Siemens' individualism culture. (K)(R) In Taiwan, society is rooted in Confucianism and organizations are expected to look after employees, rather like a family and to defend their interests. Therefore, being a Taiwanese company with over 100,000 employees, BenQ prioritizes employee and employer relationships and teamwork. (I)(A) On the other hand, Siemens' individualism culture means the business is made up of self-driven individuals rather than a big family. Whether a person has accomplished his or her job is more important than group interests. (K)(R) This difference in corporate culture resulted in conflict between employees and it may be one of the factors which resulted in the ultimate failure of the acquisition. (R)

However, despite the conflicts that culture clashes can bring following an acquisition, the larger company is able to gain greater economies of scale and widen its target customers. (K) In this case, BenQ was able to gain knowledge about and target a wider range of customers, despite the two distinctive cultures. (R)

Change is an inevitable factor in the dynamic business environment, but often leads to conflict due to misunderstandings. This concept can refer to change in staffing, change in members of the Board of Directors, or even a change in the company's structure. It can come as a result of both variations in the internal and external business environments. (K) One of the advantages of this change (i.e. the acquisition), is that it helps enrich the product knowledge that BenQ has, i.e. the mobile phone market. (R) As a result, potential customers may be attracted and existing customers are better served. (I) This could then lead to higher profits for its owners (the shareholders) in the long run. (R) However, drawbacks exist. The takeover made a large number of staff reluctant to work productively as Siemens' employees felt they were deceived and betrayed by the German executives and had no trust in BenQ. The resulting labour inefficiencies and distrust caused job losses for many workers. (I) They made conflict resolution much more difficult for BenQ. (R)

From the perspective of K.Y. BenQ, the Chairman of BenQ, he might have initially considered the acquisition to be beneficial. (I) An acquisition can help BenQ gather more sophisticated ideas and thoughts, for example. However, Siemens' employees are likely to have considered the acquisition to be harmful because it creates a sense of betrayal. In fact, over 2,000 workers lost their jobs as the takeover didn't work in the long run due to the internal conflicts. (I)(A)

In conclusion, BenQ's acquisition of Siemens and the subsequent changes, resulted in a clash in corporate cultures and significant conflict. A lack of cultural understanding often results in miscommunications and misunderstandings. The cultural conflict between the two companies, resulted from the difference in collectivist and individualist corporate cultures. Despite the fact that change can help generate synergy, it can also make employees feel devalued and unappreciated, which therefore diminishes productivity and competitiveness. In this case, BenQ was not able to resolve the conflict effectively, thus resulting in the failure of this acquisition. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good knowledge of both concepts in most parts of the essay. There is also competent use of relevant business management content. However, the candidate did not explicitly discuss conflict resolution from an academic perspective.	3
B	Application is generally good. Some good examples have been included, but these could have been more illustrative (of more substance) in some areas of the essay.	3
C	Reasoned and balanced arguments have been provided. However, not all points are fully justified, e.g. in para. 3 there was no explanation about how BenQ would “gain greater economies of scale.”	3
D	All structural elements are present and the commentary is clearly organized. The conclusion is succinct and links back to the title of the essay.	4
E	Several relevant group perspectives are considered (e.g. employees, customers and shareholders), but balance is provided sporadically. An individual has been included (the Chairman) but not in sufficient depth for full marks.	3
Total		16/20

Overall Comment

To gain full marks for Criterion B (application) and Criterion C (reasoned arguments), candidates must justify their answers and arguments. For example, there was no explanation or justification to the statement “Siemens’ employees felt they were deceived and betrayed by the German executives and had no trust in BenQ.” The quality of this essay would be improved if there was clarification. Although arguments were not all fully substantiated, there were some good examples of this being done well. For example, the candidate referred to a culture clash potentially resulting in the failure of the acquisition. The structure worked well, with the candidate providing an introduction, followed by fit-for-purpose paragraphs and then a conclusion.

38. With reference to an organization of your choice, discuss the impact of cash flow management on strategy and change.

Sime Darby (SD) is a Malaysian multinational public listed company. Its business operations are well diversified, such as plantation, industrial equipment, motors, property and energy. (A) SD is the world's largest producer of palm oil, with its plantation division accounted for its largest revenue stream. (A) However, climate change and adverse weather patterns (such as the El Nino in 2015) as well as unpredictable fluctuations in the demand for commodities (such as palm-oil) have resulted in the plantation division's profit declining by almost 40% in the last financial year. (A) SD's financial statement also shows its gearing ratio rose from 42% to 49% in the past 5 years. (A)

Cash flow refers to the money coming in (from sales revenue) and the money leaving the business (when costs are paid). A cash flow management is used to ensure SD remains liquid by preventing sufficient cash balances to fund its daily operations. (K) Sime Darby's final accounts for the past 5 years revealed deteriorating net profit margins (NPM) and return on capital employed (ROCE). The major cause was the company's rising overheads costs due to its expansion funded by long-term loan capital. This caused an injection of cash from the bank loans, but subsequently caused the monthly cash balances to fall steadily due to the cost of finance and a long working capital cycle. (K)(R)

Strategy is the way in which a business intends to achieve its long term organizational goals. (K) Cash flow management has a huge impact on SD's strategy, because without sufficient working capital (the cash available for the day to day operations of the business), it would not be able to survive and pursue its long term goals. (R) This would result in some or many employees losing their jobs. (I) SD's strategies include focussing on its core markets, pursuing growth and efficiency. (A)

In 2015, SD's cash flow was in deficient of over \$1 billion. To improve its cash flow management, SD were considering selling \$500 million worth of real-estate assets in Australia to reduce its debts. There were risks associated with the strategy of rapid growth as SD could be entering new markets with their existing products without sufficient working capital. Thus, managing SD's cash flow requires a prudent approach in terms of its capital expenditure and debt financing. (R) However, some shareholders might feel that asset disposal in Australia was a premature strategy to pay for current debts as there could be long-term gains from investing in new markets. (R) Whatever the final outcome, there would be a direct impact on each individual shareholder's return of his or her investment. Likewise, this might affect the bonus paid to the CEO and the Directors. (I)

In the pursuit of growth, efficiency and meeting **changes** in market demands such as expectations of corporate social responsibility and sustainability, SD acquired New Britain Palm Oil Ltd. (NBPOL) in 2015 for \$1.35 billion. (A) This would enhance SD's oil palm supply chain and ensure sustainability of its palm oil plantations and increase its palm oil refining capacity. However, seeking growth during a time of change (namely an economic slowdown) in economic activities in Europe and China, plus uncertainty about interest rates hikes in the USA, could be risky. Economic changes such as these could harm palm oil production. (R) This would hurt shareholders and directors alike who would not see a positive return on the cash used to acquire NBPOL. (I)

A related point is that cash flow management is a limited tool on its own as cash flow forecasts can suddenly become inaccurate due to such economic changes.(R)

Environmental change has also attracted the interest of a wide range of stakeholders, such as pressure groups, and they have changed the mind-sets of customers, employees and local communities.(I) Compliance with changes to stricter environmental sustainability and green practices has also increased the cost of SD's operations.(R) Thus, in terms of liquidity, it means SD needs to manage its cash flow even better.(R)

In conclusion, a business cannot operate without sufficient cash flow management, so this is vital for SD's strategy and impacts on its ability to initiate and adapt to change. The Directors need to ensure its working capital requirement is managed well so it can operate sustainably and meet the needs of its customers, employees and investors. Effective management of cash flows can therefore support SD's strategy and change.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concept of strategy is defined, and explained well. Change has not been explicitly defined, although relevant examples of change caused by economic factors were provided. Overall, there is good understanding of both concepts. Relevant business management content is used throughout the essay, but not always explained (such as the firm's declining NPM and ROCE, or why SD has a long working capital cycle).	3
B	Examples are used to illustrate SD's growth strategy, including its acquisition of NBPOL. However, not all examples are applied effectively, such as the mention of stricter environmental sustainability and green practices.	3
C	Relevant arguments are presented with some good justifications. However, the discussions of environmental change could be developed further. Reasoning was not clear in some areas, e.g. SD grew by acquiring NBPOL yet it had a cash deficit of over \$1bn.	3
D	All structural elements are present. The essay is, on the whole, easy to follow.	4
E	Internal and external stakeholders are considered and supported with relevant examples. However, mention of the CEO and Directors was brief. Group perspectives (such as employees and shareholders) were included too, but not in sufficient depth.	2
Total		15/20

Overall Comment

To achieve full marks for Criterion A, examiners are expecting both concepts and key business management content to be defined and appropriately explained. In this case, change was not explicitly defined, so it became more difficult to gauge the level of understanding. This question could not be effectively answered if the candidate was not well versed in actual real examples from Sime Darby regarding its cash flow management. Overall, there was good application (for Criterion B) and there were good connections made between concepts and content. For Criterion C, there were attempts at presenting a balanced argument, but this was not successful as reasoning was limited in places. Overall, the essay was awarded full marks in Criterion D for its structure and the organization of ideas. To score well in Criterion E, examiners expect both positive and negative implications on stakeholders to be discussed, from an individual and group's perspectives.

39. For one or two organizations of your choice, examine how change and globalization have impacted on the unique selling point(s).

The two organizations that I will discuss in this essay are Singapore Airlines (SIA) and Apple. Both are large multinational companies. This essay will focus on the business management content of these firms having a **Unique Selling Point** (USP), which is any factor a business has achieved which makes it stand out from its competitors. (K)

Change is an essential component of any organization and they have to adapt to or initiate change in order to remain competitive. Change is caused by variations in the internal and/or external business environment. (K) One change facing SIA, which was founded in 1972, is the growing range of travel options available with many more budget airlines competing in the industry (such as Air Asia, founded in 1993). (A) To cater for a growing number of travelers and the need to satisfy shareholder return, (I) SIA became the first airline carrier to use the Airbus A380, the world's largest passenger aircraft, in 2007. SIA's A380s have four sets of classes (economy, premium economy, business and first class), and even a 'suite class' on some of their planes allowing customers total privacy. The suite class cabins offer a comfortable bed, large-screen TV and a private chef for the passenger. (A)(I) SIA has focused on its unrivaled level of customer service as its unique selling point, offering its passengers a world class service. This USP has made SIA the most awarded airline in the industry, winning Best International Airline for the past 5 years. (A)(R)

Apple faced its most significant change in 2011 when Steve Jobs passed away; it was a huge hit to the whole company. Jobs was the CEO and iconic leadership behind one of the world's largest companies. This event caused a sudden and dramatic change as Apple looked for new leadership style and appointed Tim Cook as the new CEO. (A) There was concern from some stakeholders that Apple's brand image (its USP) and huge degree of brand loyalty would be damaged following the death of Jobs but Cook has maintained the company's global reputation for innovation and quality. Cook was credited for taking on Samsung, Apple's fierce competitor, by launching larger screen iPhones (starting with the iPhone 6 Plus) to cater for customers across the world who wanted a bigger screen. The iPhone had changed how smartphones would be used (i.e. as computers, rather than telephones). (R) Jobs only wanted customers to choose between 2 versions of the iPhone: black or white. (A) However, their recent product, the Apple Watch, has not been as successful as he had hoped.

Since SIA and Apple are multinational companies, **globalization** has had a positive impact on their USP. As SIA is unable to operate intra-national flights (the city state is just too small), it benefits from operations in global markets, flying to 61 destinations in 35 countries. (A)(R) They employ chefs from around the world to accommodate for different tastes of their international travellers. They hire multilingual staff to aid passengers but use English as a common language. However, their global image has had some negative press coverage due to the view that its "Singapore Girl" advertising slogan is deemed to be sexist. However, this is not viewed as a problem in Singapore, but as a USP. The CEO, Goh Choon Phong, stated in response that "To remove the Singapore Girl icon from SIA is like removing Mickey Mouse from Disneyland." (A)(R)

Apple's iconic logo is easily recognizable as a global brand. The company has relied on providing high quality products that are intuitive to use, such as its iPads and iPhones. The global spread of social media, e-commerce and communications has created huge growth opportunities for Apple. Customers have enjoyed the convenience and multi-functionality that Apple products provide, making it far easier for them to work or play in an ever-globalized world. (I)

In conclusion, change and globalization have both impacted positively on SIA and Apple who have been able to embrace the business opportunities created. Both companies have been able to exploit having a USP in the global markets in which they operate. SIA exploits its USP for providing unrivalled customer service (despite its iconic 'Singapore Girl' slogan being criticized by some people around the world. Apple's USP of being the innovative market leader was not negatively impacted by the change of CEO, but it instead resulted in further success as its brand value continues to grow. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	Change has been defined and explained well. Although there is some evidence of understanding of globalization, this has not been defined. There is good understanding of relevant business management content.	3
B	The concepts and business management content are well applied and illustrative examples are used throughout the essay. There is effective use of dates, facts and figures for both Apple and SIA.	4
C	Reasoned arguments are provided, and most of these are justified. Arguments must be balanced and justified for full marks. The candidate could have, for example, elaborated on the negative press coverage of 'Singapore Girl', from a global perspective.	3
D	All structural elements are present and the essay is easy to follow.	4
E	SIA and Apple customers were discussed, as were Steve Jobs and Tim Cook. Although the CEO of SIA was mentioned, it lacked development (in terms of his impact and the impacts of change and globalization) for full marks.	3
Total		17/20

Overall Comment

Overall, this is a very good essay with only minor improvements needed to make it score the full 20 marks.

The candidate has demonstrated a thorough knowledge and understanding of Singapore Airlines through the use of various illustrative examples. There was a good point made about potential changes in the market (budget airlines) but it would have been better to include a discussion about how this could impact SIA's USP.

Another potential improvement is Criterion A, where marks can be picked up relatively easily by defining key terms and concepts to demonstrate knowledge and understanding. In this case, a definition was missing for globalization. Students should be encouraged to provide definitions for the two concepts and the relevant business management content in the essay title question.

40. With reference to an organization of your choice, discuss the impact of change on business strategy.

For 200 years, Singapore Post's main business was providing postal services across Singapore. However, at the turn of the 21st Century and with over 60 branches, the organization faced major problems due to the huge decline in the demand for postal services in the digital age. (A) Singapore Post (SP) was subsequently listed on the Singapore Stock Exchange in 2003 as change was needed for the business to survive. The Chief Information Officer (CIO), Ramesh Narayanaswamy, foresaw the need for SP to change by making a decision about its future direction and implementing a new business strategy. (I) **Change** can be referred to as the adaptation of the business to suit internal and/or external influences, such as technological advances affecting the industry. (K) **Strategy** is defined as devising plans to achieve the long-term goals of an organization. (K) SP's strategies have changed from focus on its core postal services to logistics and e-commerce. (A)

A key driving factor for change is technology. With the advent of the internet and widespread use of emails, physical mail became largely obsolete in Singapore. (R) One implication is that fewer employees (such as mail sorting staff and postmen) are needed, so some workers at SP faced redundancies. (I) More recently, in 2015, SP successfully performed the world's first delivery of mail by a drone, conducting a test flight carrying a letter and a parcel containing a T-shirt. This is the first time that an unmanned aerial vehicle (UAV) had been used for point-to-point mail delivery. (A) The strategy of using drones could be a game-changer for SP in a sunset industry as parcels or mails can be delivered faster and more efficiently using drones which are unhindered by traffic and other barriers. (R) A postman's job at SP is clearly at stake with drones set to do deliveries all over Singapore. (I) However, one positive implication for shareholders of SP is this strategy creates increased productivity and profitability in the long run, thus generating a greater return on investment for SP's shareholders. (I)

Efficiency in delivery is the key to a successful business strategy in this industry as most of the parcels are usually delivered during normal business hours, a time when many customers themselves are at work. Thus customers who want to receive their parcels in a timely manner find the traditional delivery model of huge inconvenience. Technological progress has led to SP using an alternative way to enable customers to get their parcels in an efficient way by using any of SP's POPStations in Singapore. (A) Online customers use an app or SP's website to have their online shopping delivered to any of SP's 160 POPStations. Customers can then collect their own parcels at their own convenience from the conveniently located POPStations 24/7. (I) Customers receive an email or SMS message when their goods are ready for collection. Customers enter their PIN or QR code at the POPStation to collect their shopping items. (A) This innovative strategy has given many customers a good reason to return to SP. (R) Hence, SP has successfully embraced change as part of its strategy.

For its Hong Kong market, SP invested in parcel delivery company Morning Express Couriers, which owns a rapidly expanding network of self-collection parcel smart lockers (in a similar way to POPStation). (A) For e-tailers using SP's services, they simply drop off their parcel directly to designated smart lockers which then automatically generate unique collection codes for the consumer, which are then texted to the respective customers who can then collect the parcel at their own convenience. (I)(A)

For SP, the nature of competition has changed. E-commerce giants, such as Alibaba's foray into the logistics industry in 2013 through its subsidiary, Cainiao, forced SP to change its business strategy to reinvent itself or risk irrelevance. (R) Large e-tailers such as Taobao and Amazon tend to bypass intermediaries by delivering their goods straight to their customers. Being a late adopter of e-commerce, this prompted SP to formulate its own e-commerce strategy (e-commerce is the buying and selling of goods and services primarily over the internet). (K) SP's strategy was to acquire existing e-commerce logistics businesses such as the USA's TradeGlobal Holdings and Jagged Peak, both in 2016. (A) The advantage of these acquisitions is SP's e-commerce logistics network can now be expanded in the US market as well as access to China and Asia Pacific. (R)

However, the disadvantage of this strategy is the cost involved in such major corporate acquisitions. (R) The financial benefits of changing to an e-commerce strategy may be felt in the longer term and shareholders of SP may not experience any short-term returns. (I) The other major problem of such takeovers is managing the expanded business operations during times of uncertainty, change and conflict. The surprise resignation of SP's CEO, Wolfgang Baier, in December 2015 highlighted SP's problems caused by internal conflict between the directors who are risk-averse and senior executives seeking a new direction in response to changes in the industry. (I)(A)

In conclusion, changes related to technology, trends in consumer markets and the nature of competition in the industry were factors that forced SP to formulate new business strategies in order to remain competitive. These strategies included the use of drones, SP's POPStations and investment in e-commerce strategies and acquisitions to ensure the company remains competitive well beyond its 200-year history. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of change and strategy have been defined appropriately, with examples used to demonstrate good knowledge and understanding. Business management content is used well throughout the essay.	4
B	There is very good application of Singapore Post, with suitable examples used to illustrate change and its impact on SP's business strategy, such as its use of drones for deliveries and the acquisition of American e-commerce logistics companies.	4
C	Relevant arguments regarding change and strategy are presented with justifications. For example, there are thorough and justified explanations of SP's use of POPStations and the acquisition of TradeGlobal Holdings and Jagged Peak.	4
D	All structural elements are present. Paragraphs are generally fit-for-purpose and the conclusion is succinct but clearly answers the title question.	4
E	Internal and external stakeholders are considered with relevant examples used. Group perspectives are discussed (e.g. customers and employees such as postmen) but this lacked depth in areas (e.g. directors, senior executives and shareholders). Although CIO and CEO were mentioned as individuals, the discussions lacked real depth and detail.	3
Total		19/20

Overall Comment

The essay starts with a good introduction, which provides a succinct background of Singapore Post as well as definitions of the two concepts (change and strategy). Relevant and specific examples were well applied throughout the essay and there was good connection between concepts and business management content. For Criterion C, the candidate presented arguments for and against change and strategy. For Criterion D, the essay was well organized, using fit-for-purpose paragraphs and a good conclusion.

Both individual and group perspectives were considered. Both positive and negative impacts on the stakeholders were discussed. However, to score full marks in Criterion E the candidate must provide a considered discussion on an individual stakeholder's perspective; merely mentioned the CIO or CEO is insufficient.

41. With reference to an organization of your choice, examine the impact of globalization on organizational change.

Starbucks is a good example of a globalized company, with over 23,000 outlets in 72 countries worldwide. (A) **Globalization** refers to the growth in cross-border trade, converging fashions and tastes, and increasingly international markets. (K) **Change** refers to the adaptation of objectives, operations and strategies to accommodate internal and external influences on the business environment. (K) Globalization has meant that Starbucks have had to make changes when entering different markets, to ensure they meet the needs of local customers. For example, Starbucks will be entering Italy for the first time in April 2017. This is part of its market development strategy (part of the Ansoff Matrix), when an organization grows by selling existing products in new markets. (K)

As a globalized firm, it was only a matter of time before Starbucks entered the Italian market. The CEO, Howard Shultz, stated that while it has always been his intention, it is only now the company feels ready to make the move into Italy because the coffee drinking culture is very different there. Shultz stated it was out of deep respect for the coffee culture in Italy that he has waited this long to employ market development in Italy. (A)(R) Here, customers tend to have a quick espresso and go, whereas Starbucks is famed for a coffee drinking environment where customers stay for a much longer time. (A)(I) Entering Italy was therefore seen as a risky strategy for many years. (R)

However, Shultz has stated they will adopt this change with 'humility and respect' showing they realise just how challenging it may be. (A) The impact of this change on Italian customers could be positive, as they have yet to experience American coffee culture in their own country, and Starbucks will give Italian customers more choice. (I) Psychologists in Italy believe Starbucks will be a big hit with the younger generation who are likely to embrace this change so they can feel globally connected, but the older generation are less likely to appreciate this new approach to drinking coffee. (I) Either way, Starbucks is in a much better position now to absorb the risks because of how well established the firm is and its global status. (R)

Another change adopted by Starbucks in recent years, which illustrates the impact of globalization, was its acquisition of Evolution Fresh (the juice bar chain) in November 2011. (A) This is an example of related diversification, as Starbucks was able to target new customers (non-coffee drinkers) and new products (fruit juice) in the same industry (beverages). (K) Globalization has also brought greater awareness of healthy life styles, including diet. Acquiring Evolution Fresh enabled Starbucks cater for customers who preferred healthy drinks and salads to its core product (espresso coffees). (I) Evolution Fresh has been highly successful with some of its bars enjoying annual sales of over \$1 million. (A)(R) While this change will help Starbucks to establish itself in the fruit juice market, it is an industry which is already saturated, which also illustrates the risks of this growth strategy. (R) However, the acquisition has paid off for shareholders, who have seen share value improve significantly since 2011. (I) Nevertheless, global firms tend to have a lot more pressure on them if adopted changes fail, because the media is more likely to take interest.

It can be concluded that Starbucks has made various organizational changes over the years, because of the opportunities brought about by globalization. Starbucks's status as a global market leader in the coffee retail sector has enabled it to grow successfully across many borders worldwide. Hence, the natural direction for Starbucks now is to take further risks through strategies such as market development and diversification. Due to globalization, Starbucks is better able to adopt changes. For example, had Starbucks tried to enter the Italian market when they were not as well established, the strategy could have failed disastrously. Hence, globalization has had a major impact on the organization change at Starbucks. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	A good understanding of both concepts (globalization and change) has been demonstrated throughout the essay. There is effective use of business management content in relation to the Ansoff matrix. The content is relevant, sufficient and well explained.	4
B	Application is effective throughout the essay, with illustrative examples used well. The candidate has demonstrated a good knowledge of Starbucks and its operations.	4
C	The arguments are generally relevant and balanced. They are mostly substantiated. For example, there is justification that younger Italians are likely to be attracted to Starbucks so they can feel globally connected. However, this wasn't sustained throughout, such as the lack of justification for why "Starbucks would be in a much better position now to absorb the risks".	3
D	All structural elements are included and the essay is easy to follow. The conclusion is fitting in summarizing the impact of globalization on organizational change at Starbucks.	4
E	Balanced consideration has been given to Starbucks' customers and there is good discussion about the perspectives of the CEO. However, depth was lacking in parts of this, such as a sweeping mention about shareholders.	3
Total		18/20

Overall Comment

The introduction for this essay is well explained and clear. The candidate has defined the concepts and selected an appropriate business management tool, which is appropriately linked to Starbucks. The candidate has clearly done research about Starbucks entering the Italian market, which has been demonstrated using illustrative examples. This knowledge evidently enabled the candidate to score well in Criterion B (application).

It is important to remind students to provide well-reasoned arguments to score well in Criterion C (reasoning). Basically, if the examiner can question "why?" to a statement made by a candidate, it is unlikely s/he would score full marks for this criterion.

42. With reference to an organization of your choice, discuss how marketing strategies may differ in two cultures that you are familiar with.

Starbucks, a multinational company that sells coffee and other beverages was founded in Seattle, America in 1971.(A) In 1999, Starbucks opened its first store in Beijing, where the culture is different to that of Starbucks America. **Culture** refers to the different customary norms in different regions of the world. For example, Chinese people do not drink tea with sugar and milk, whereas herbal coffees are not sold in mainstream Starbucks stores in the USA.(K) A different culture led to Starbucks requiring different marketing strategies to win the trust and loyalty of Chinese customers.(R) This resulted in modifications to its **marketing strategies**, which refers to the different ways in which a business strives to achieve its long term marketing goals.(K) This can, for example, be through different strategies based on product, place, price, process and promotion.(K)

Once Starbucks entered the Chinese market, it changed its beverage menu, which relates to its product strategy. Starbucks focussed on its core products and bestsellers i.e. its well-known espressos, such as the cappuccino, Americano, and latte. To meet the preferences of Chinese customers, Starbucks China introduced the green tea flavoured latte.(A) Due to this product focused strategy, Chinese customers quickly developed a taste for Starbucks and its coffees, which has been essential to it gaining brand awareness in China. However, perhaps due to the lack of market research, some products such as the Spicy Macchiato were not highly appreciated in China.(A)

Being the large multinational that it is with over 23,700 stores worldwide, Starbucks outlets are located in popular areas where many people pass by, such as shopping malls, high streets, and at train stations. This relates to place in the marketing mix.(K) However, Starbucks has a much larger distribution network of over 13,000 stores in the USA, and only about 2,200 outlets in China.(A) This is because Starbucks has been operating in the United States for many more years, but Starbucks can only be found extensively in major Chinese cities, such as Shanghai and Beijing.(R)

The price of a Starbucks drink is slightly lower in China compared to the USA.(K) Still, it represents a premium drink for the average Chinese customer, who earns less than his/her US counterpart as wages are much lower on average in China.(I) Culturally, consuming a foreign branded product, such as Starbucks coffee, is a status symbol for the Chinese.(R) This also attracts Chinese customers who want to experience Western culture. However, the premium prices also mean that unlike American culture where the average person consumes coffee with relatively ease, far fewer people in China are able to enjoy a Starbucks coffee.(R)

As a well-established market leader in many countries, Starbucks is now able to spend less than 1% of its annual revenues on advertising.(A) Instead, it now relies on the use of word of mouth promotion. Whilst a growing number of people in China now use the internet, social media apps such as Facebook, Twitter and WhatsApp are banned. In the US, Facebook and Twitter (@Starbucks) are used by Starbucks as part of its social media marketing. By contrast, most people in China use WeChat (an instant messaging app established in China in 2011, and now with over 700 million users in China).(A)

Starbucks is known for its relaxed environment, in which customers are free to stay without being asked to buy another cup of coffee. This business model was quite unique when it first came to China. Starbucks is still seen in many provinces of China as 'new' and trendy, which has often resulted in positive word of mouth promotion via WeChat's hundreds of millions of users.(A)

However, the American style of customer service (process in the extended marketing mix) is not always appreciated in China as customers are expected to go to the cashier to pay and order, whereas in Chinese teashops they are personally served at the table with the menu.(K) This strategy left many Chinese customers with an unexpected and sometimes unwanted experience, which lead to some negative word-of-mouth. This strategy was not favoured in the short term, but as Starbucks has become better established, Chinese customers have warmed to the Western practice.(R)(I)

In conclusion, Starbucks has adapted itself well to the cultural differences of China, focusing on different aspects of its marketing strategy, such as product, pricing, promotion and process.(K) It has mainly focused on making its product line more 'user friendly' to Chinese customers, whilst place, price and promotion are secondary priorities. The CEO, Howard Schultz, might want to put more emphasis on these Ps in the future if the company aims to maximise success in China.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good knowledge of the concepts, with concise definitions and examples provided. There is competent use of relevant business management content (such as market research, brand image, distribution network and social media marketing).	4
B	There is appropriate application shown throughout the essay, but this tends to be simplistic. Most of the examples, whilst relevant, lack depth of explanation.	3
C	Most arguments are relevant and well-reasoned, but this is not consistent throughout the essay. For 4 marks, arguments must be fully justified, such as the meaning (and differences in) “Western practices” and “American culture”.	3
D	Ideas are, generally, clearly organized and most arguments are easy to follow. All structural elements are present and the conclusion is fitting. So the ‘best fit’ mark is 4 marks.	4
E	There is appropriate consideration of customers in China and, to an extent, in America. The inclusion of the CEO perspective within the conclusion is insufficient for full marks.	2
Total		17/20

Overall Comment

The candidate has provided a concise definition of culture and strategy. Also, the business management content was used and explained well throughout the essay. Hence, full marks were awarded for Criterion A.

Whilst application was good in most parts of the essay, the candidate was perhaps too ambitious in trying to cover 5 different aspects of Starbuck’s marketing strategies. This resulted in a number of illustrative examples lacking the necessary depth for full marks for Criterion B. This therefore impacted on the scope for the candidate to provide well-reasoned arguments in Criterion C.

In Criterion E, at least two relevant individual or group perspectives must be considered appropriately for 3 marks. So, whilst this essay is very good, it seems the candidate was unaware, or forgot, about the rubric requirement for this criterion.

43. With reference to an organization of your choice, discuss how innovation and globalization influence its growth.

Tesla Inc. was founded in 2003 by a group of engineers in Silicon Valley, California who wanted to show that electric cars can be as effective as gasoline-powered cars.(A) This unique selling point, coupled with its innovative designs, has drastically increased Tesla's market share in America. In 2013, Tesla decided to expand its markets internationally in order to operate on a larger scale and gain economies of scale.(K) **Globalization** is the integration and interdependence of businesses, cultures and countries, through increased international trade. **Innovation** is the practice of introducing or improving an organization's products and/or processes.(K)

Tesla produces cars with zero emissions, great designs and with faster acceleration than most road cars. These innovative features instantly grabbed the general public's attention as those innovations are environmentally friendly, cost effective (compared with other vehicles using oil) yet allowed customers to drive cars with fast acceleration.(A) Although there were existing hybrid cars, such as Toyota's Prius, no other car maker had managed to deliver such desirable qualities of design, speed and environmental friendliness.

Growth refers to the increase in the size of an organization, as measured by factors such as sales revenue, profit and market share.(K) As the company grew, it gained advantages through economies of scale, which refers to the reduction of average costs as a business grows.(K) Firstly, Tesla enjoys technical economies as the company uses sophisticated machinery and technologies to increase its productivity. As a result, Tesla's sales, profits and market share increased in the USA. By 2016, the company's sales had exceeded \$4bn.(A)(R)

Nevertheless, Tesla's initial investment cost was over \$7.5 million, financed mainly from personal funds. Hence, innovation and growth are vital for the company to recoup the costs of its investment. Furthermore, in order to grow, Tesla needs to pay highly competitive salaries to attract and retain skilled personnel. With a larger volume of output of cars, the labour costs can be spread over out, thereby further reducing average costs of production.(R)(K) However, the need for continuous capital investment to fund innovations might actually push up Tesla's unit costs of production.

As mentioned, Tesla took advantage of globalization by expanding into overseas markets since 2013. The company started delivery of its Model-S to Europe in 2013, while deliveries to Asia commenced in 2014. It has gained huge success in Europe where, according to *Jalopnik* (automobile news), Tesla is already the best-selling model in Norway.(A) Customers in these markets have gained from having greater choice in buying energy-efficient cars.(S)

However, globalization and expansion in other countries can also bring some challenges to Tesla. Although globalization is fueled by converging consumer fashions and tastes, Tesla might not be flexible enough to satisfy each market's specific demands. Whilst there are plenty of charging stations throughout the network of roads across the UK, this is not the case for all countries, thus limiting the potential sales of Tesla. (R) Essentially for Tesla, its growth in overseas markets is reliant on their infrastructure in support of drivers of electric cars.

Stakeholders of Tesla are impacted in different ways from globalization and innovation. For its suppliers, such as Continental (tyres), they will have more orders from Tesla, boosting its own revenues. (I) The shareholders of Tesla are also able to gain advantages through Tesla's higher sales and profits as the firm grows, i.e. an increase in the share price (which jumped by just under 500% between 2013 and 2014). (I)(A)

In conclusion, both innovation and globalization have had a major influence on Tesla's growth. The many advantages (such as economies of scale and access to larger markets) help to increase Tesla's productivity and reduce its average costs of production. However, managing global operations effectively and being at the forefront of innovation are undoubtedly challenges for Tesla as it pursues its growth. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good knowledge and understanding of both concepts and the business management content relevant to the essay question. Appropriate terminology is used effectively throughout the essay.	4
B	Application was consistently good, with illustrative examples used throughout. The candidate had clearly researched the organization well, using appropriate facts and figures, e.g. the Model-S being introduced into the European market in 2013.	4
C	Reasoned arguments are present in most parts of the essay throughout, but this is not sustained all through the essay. For example, the candidate could have justified the statement "Tesla might not be flexible enough to satisfy each market's specific demands."	3
D	Ideas are mostly clearly organized and well structured, with fit-for-purpose paragraphs. It is a little repetitive in places, but this did not detract from the overall quality of the essay.	4
E	Suppliers, customers and shareholders are considered but balance is not achieved, despite the candidate's efforts. There is no consideration of an individual stakeholder. However, as at least two relevant group perspectives are considered appropriately, 3 marks can be awarded.	3
Total		18/20

Overall Comment

This candidate has demonstrated an excellent knowledge and understanding of the required concepts and business management concept, with applicable examples used throughout the essay. While the definition for innovation could have been expanded, the best fit for Criterion A is 4 marks.

It is important to remind students to provide full explanations in their arguments, to ensure they can gain full marks for Criterion C (reasoned arguments). Also, it is important to remind students to write a balanced consideration of the perspectives of an individual stakeholder, such as Tesla's CEO.

44. With reference to an organization of your choice, examine the impact of ethics and change on its objectives.

Toyota Motor Corporation (Toyota) is a Japanese car manufacturer headquartered in Aichi, Japan. Founded in 1937, Toyota is one of the world's largest automotive manufacturers.(A) The company has recently changed its objective to focus on enhancing the quality and technologies for green-energy cars in order to remain competitive.

Change refers to the internal and external factors that impact a business factors, such as changes in the state of the economy, fashion and trends in society, and attitudes towards the environment.(K) Change is at times necessary because of unpredictable internal and external factors affecting businesses, such as changes in the state of the economy, fashion and trends in society, and attitudes towards the environment.(K)

Toyota was the first in the industry to commercially mass-produce and sell hybrid electric vehicles when the company launched the Toyota Prius in 1997, back when there was a gap in the market for eco-friendly vehicles.(A) This provided Toyota with a significant first mover advantage, positioning the company as the first to introduce mass-produced hybrid cars. The brand recognition and trust from the public and its potential customer base ultimately resulted in a significant market share and brand loyalty.(R) In fact, its sales doubled in 2004 and then again in 2005.(A)

An increase in the sales of the Toyota Prius should ultimately increase profit, pleasing directors and shareholders alike who are financially remunerated as a result.(I) Greater profit allows Toyota to spend more on Research and Development (R&D), allowing further improvements and achievement of their objective to enhance the quality and technologies for green-energy cars.(R) Fundamentally, Toyota started to be seen as an ethical business. **Ethics** refers to the moral principles that a business deems to be important, such as environmental protection above profits.(K) This can be seen as an internal strength of the company.

Toyota's environmentally friendly hybrid vehicles gained the hearts of customers due to increasing ethical concerns for the protection of the earth.(I) As the hybrid cars (which use petroleum and electricity), this puts less pressure on the use of fossil fuels, creating a positive, ethical corporate image for Toyota.(R) Despite it being Japan's largest car maker, its ethical practices resulted in the government providing subsidies to Toyota for R&D. This enabled the company to change its objectives to focus on green-vehicles.(K)(A) Furthermore, customers of certified eco-friendly vehicles in Japan are provided subsidies when buying the eco-friendly cars, which ultimately makes the Prius more attractive as the price can be lowered.(R)(I) In London, incentives are provided by hybrid drivers, such as Prius owners, who are exempt from paying the London Congestion Charge.(A) This further benefits Prius owners who can drive into central London without being charged the daily fee of £11.50.(A)

However, a major weakness is that the selling price of the Toyota Prius, starting from €29,995 in the Netherlands, is still relatively high compared to other available vehicles on the market. (A) This is partly due to the higher costs of producing hybrid cars, despite any government subsidies, and also due to the smaller market size meaning Toyota cannot benefit as much from economies of scale. (K)(R) To appeal more to the potential customers, Toyota had to change by cutting costs. It did this through the use of shared parts with its other vehicles, thereby saving 30% of the costs. (A) However, the price did not drop by 30%, which raises the question about Toyota's ethics.

Also, the popularity of the Prius attracted new firms to enter the industry. Companies such as America's Tesla and China's BYD have taken away market share from Toyota. (I) This change in the external business environment has also had a negative impact on Toyota's profits. (K)(I) As a result, according to the news media, Toyota sought to cut costs by cutting corners, e.g. neglected safety concerns and delaying recall investigations. However, this unethical behaviour backfired with a large number of product recalls. In 2014, over 6.5 million Toyota cars were recalled due to steering and seatbelt problems. (A) This crisis seriously harmed the company's brand and perhaps reduced the brand loyalty of Toyota's consumers. (R)(I) This wasn't an isolate incident as an airbag failure in 2016 caused the company to recall almost 3.5 cars across the world. (A) Subsequently, shareholders took a hit as profits would have declined sharply. (I) The shareholders would have suffered by declining share prices and a fall in their dividend payout. (K)(I) This action also contrasted their objectives of enhancing the 'quality' of its product. (R)

To conclude, it may only be fair to say that changes in the external business environment and ethical business practices have had huge impacts on Toyota's objectives. Toyota exploited a gap in the market for green-energy vehicles, initiating a change of focus in the motor industry. This gave the company a first mover advantage in the green-vehicles industry. However, competition led to some unethical practices that eventually cost a company to lose a lot of money and cause damage to its corporate image. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	Definitions for the two concepts were provided, with relevant use of examples to show good understanding. There was relevant and competent use of business management content throughout the essay.	4
B	Application is good all through the essay. The candidate has clearly researched Toyota carefully, with excellent illustrative examples applied to the title question.	4
C	Relevant arguments are made and these are well justified. For example, in the penultimate paragraph, the candidate shows good discussion of the impact of Toyota's product recalls.	4
D	All structural elements are present, with good use of fit-for-purpose paragraphs. The conclusion is summative and concise, and directly answers the question.	4
E	Stakeholder groups are considered in sufficient depth (customers, shareholders and the government), but there is no consideration of an individual stakeholder.	3
Total		19/20

Overall Comment

This is an excellent essay with sound application of Toyota, written with appropriate business management content. The candidate has effectively applied the concepts of change and ethics, linking this to the impacts on Toyota's objectives of growth, quality and green technologies.

The essay is methodical and it is clear the candidate has researched the chosen company very well. It seems the candidate understood the requirements to score top marks in Criteria A to D. However, the only limitation was in Criterion E where examiners expect candidates to include the impact on (change, ethics and objectives) an individual stakeholder of the organization.

45. With reference to an organization of your choice, examine how change and globalization have impacted on offshoring.

UNIQLO is a Japanese fashion retailer and operates in 16 markets worldwide with over 1,400 stores and 30,000 employees. The company aims to become the world's biggest casual apparel manufacturer and retailer. (A) Hence, it aims to take advantage of **globalization**. This refers to the growing integration and interdependence of the world's economies through international trade and exchange, such as cultural exports. (K) To take full advantage of globalization, UNIQLO has offshored production to countries such as Vietnam. (A) **Offshoring** occurs when a firm relocates some of its operations abroad, usually to reduce costs. (K) **Change** refers to a modification made because of an internal or external factor impacting the organization. (K)

Recently, UNIQLO relocated its offshored production facilities in China to Vietnam. This is an example of a change made to its offshoring strategy, to benefit from globalization as Vietnamese factory workers are significantly cheaper to hire than those in China. (R) UNIQLO successfully relocated Chinese factories to Vietnam in 2009. (A) One reason is that Vietnam has much lower labour costs than China now, so this approach was used to aim to increase the company's profit in the long term. (R) This is the most common reason for offshoring and UNIQLO applied this change so they can take advantage of reduced costs. (R) The move has pleased shareholders who have enjoyed greater dividend payouts since 2009. (I)

In addition, the forces of globalization have meant that the Vietnamese government has been actively improving the country's infrastructure in order to attract multinational businesses. (I) Another consequence of globalization is the desire of firms to take advantage of lower costs around the world, looking for low cost manufacturing alternatives to China and other countries. The Vietnamese government has also been considering additional strategies, such as lowering corporation taxes. Hence, globalization has directly impacted UNIQLO's decision to offshore its operations in Vietnam. By attracting a well-known brand such as this one, the government is more likely to encourage other firms to offshore to Vietnam too. (R) However, offshoring is not without its problems, with many cases of well-known multinational manufacturers having to deal with bad publicity due to unethical business behaviour of the offshored companies abroad.

UNIQLO also offshored its textile factories to Turkey to enter the European market in 2014 to compete with rivals such as H&M, ZARA and GAP. (A)(I) This change in offshoring strategy was used to enable UNIQLO get closer to European countries. It would allow the company to cut costs to deal with the threats of intense competition in the casual wear clothing industry and the low profit margins. (R) UNIQLO also did this to benefit from Turkey's reputation for high quality production and highly skilled staff. (R) It is therefore due to the opportunities of globalization, at least to some extent, that UNIQLO opted to adopt this change in offshoring strategy. However, the decision by the CEO, Tadashi Yanai, to offshore to Turkey is likely to increase costs, at least in the short run due to the set-up costs, which he would have needed to justify to his shareholders. (I)

It can be concluded that change and globalization have resulted in the need for UNIQLO to adopt different offshoring strategies in order to remain competitive. Rising labour costs in China have resulted in the firm seeking cheaper offshoring alternatives in countries such as Vietnam. On the other hand, UNIQLO has also located factories in Turkey to take advantage of the proximity to European markets and the widely available skilled labour.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	Overall, the essay demonstrates good knowledge of the concepts. The discussions could have been better developed, e.g. what is meant by the “opportunities of globalization”? There is a good understanding of offshoring with a couple of fitting examples used.	3
B	Generally good application throughout including some good examples, such as reference to relocating factories from China to Vietnam.	3
C	The arguments are balanced and justified in most areas. For example, there is reference to the Vietnamese government’s improvement of infrastructure to attract new businesses. However, there were lapses in places, e.g. the “unethical business behaviour of the offshored companies abroad” could have been justified and applied to UNIQLO.	3
D	All structural elements are present and the ideas are well organized using fit-for-purpose paragraphs. A fitting conclusion has been written.	4
E	Several stakeholder groups are considered, generally in a balanced manner (such as customers, shareholders and the Vietnamese government). Although the CEO has been mentioned, his perspectives have not been developed.	3
Total		16/20

Overall Comment

The candidate has provided good application of both concepts and the business management content through knowledge of UNIQLO. The candidate’s knowledge of the company has allowed for some good examples, which clearly links well to the essay question. However, this needs to be consistent throughout the essay for full marks for Criterion A.

Some of the arguments were justified effectively but this was not always the case. For example, there was no clear substantiation that Turkey specializes in fabric manufacturing or have a reputation for highly skilled workers. This prevented full marks being awarded for Criteria B and C.

Once again, as in many typical CUEGIS essays, it is important to remind students that they must consider the impacts on and implications of an individual stakeholder of the organization. Merely mentioning the CEO by name does not suffice for full marks.

46. With reference to an organization of your choice, examine how strategy has impacted on corporate culture.

The Volkswagen (VW) scandal broke out at the end of 2015 when it was found that many VW vehicles being sold in the USA had software in diesel engines that could detect when they were being tested, changing the emissions results. (A) This strategy therefore affected the company's corporate **culture**, which can be defined as the traditions and norms within an organization that have been established over a long period of time. It is based on the beliefs, values and attitudes in the workplace. (K) **Strategy** is the long term plan of action designed to achieve a particular corporate goal or set of goals, in order to improve the performance of the business. (K) If executed properly, it means the business can move forward and remain competitive.

VW was on the right track to becoming the world's largest carmaker (one of its corporate aims) and a well trusted German company with over 10 million vehicles produced last year. (A) It had a solid post-war reputation and a market leader in many markets around the world. A major challenge for VW was getting established in the US market as market research showed that demand for diesel cars was the highest in the USA. Volkswagen therefore had to improve its technology in order to be able to penetrate the American market as its emission levels were not fit to pass the US emission tests. Thus, there was enormous pressure on VW's engineers who had been ordered to find a low-price way to keep diesel emissions down to meet US standards.

VW's reputation for technical excellence was on the line and the then CEO, Martin Winterkorn, took this very seriously. He had the habit of criticizing employees publicly and established a strong command and control culture. (I)(A) Yet, Volkswagen decided to bet on its "fuel-efficient" diesel-powered cars to enter the US market and went with the unethical strategy to fit these cars with devices to cheat the tests, while pursuing a misleading advertising campaign around "clean diesel" engines. (A) The strategy therefore established an unwanted and dysfunctional corporate culture. (R) Winterkorn denied knowing about the finer details originally, but it was later found he received a memo with information about this well before it happened under his leadership. (I)

After the scandal broke out, VW was forced to make adjustments to its strategies, but most importantly, changes regarding their corporate culture in order to deal with the crisis it was facing. VW had committed industrial fraud with a suspected 11 million vehicles fitted with illegal devices capable of cheating emission tests. (K)(A) The underhand strategy backfired and meant VW had to regain the trust of the public. Hence, a change to its corporate culture was needed. Martin Winterkorn resigned and a new CEO, Mathias Muller, was employed to help rebuild the brand and corporate culture. (A) However, Muller, an ex-CEO of Porsche, was also the head of product planning at VW during 2007 to 2010, during the period when the defected software was first used. Additionally, he worked very closely with Winterkorn, so it is questionable whether Muller is the right person to change and improve VW's strategy and corporate culture. (A)(R)

The scandal had a major negative effect on VW's shareholders as the sales of new VW-branded cars fell by 14% initially, reducing Europe's largest carmaker's market share beyond the USA, such as in the UK too (one of its most successful markets). Other brands owned by VW were also hit. Sales of Skoda and Seat cars fell by as much as 25%. (A) For the shareholders, share prices and dividends would have fallen as a result of this. (I) Nevertheless, the VW brand enjoys huge brand loyalty in many markets, so was able to withstand the negative press around the scandal in the USA. For example, sales of the Volkswagen Golf remained the best-selling car in Sweden in 2016. (A)(R)

In conclusion, VW's strategy used to cheat the diesel emissions tests in the USA, was only successful in the short term. The unethical strategy was based on VW's corporate culture of striving to be the world's largest carmaker. It is difficult to say whether the change in CEO has had a positive impact on the firm's corporate culture yet, especially as he was an internal stakeholder before and during the time of the scandal. However, change at the very top of the organization is required to improve VW's organizational culture and to rebuild its reputation. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	There is good knowledge of the concepts demonstrated throughout the essay and definitions of strategy and culture are provided. Discussion of corporate culture and other business management content is relevant.	4
B	The application is very good throughout the essay. Illustrative examples have been provided, and there is good knowledge of VW's emissions scandal.	4
C	Arguments are relevant, with some balance and justification provided in most parts of the essay. There is evidence of reflective and critical thinking in paragraph 4. It would have been useful and appropriate to include more about VW's actual corporate culture, which would have helped the candidate to gain full marks.	3
D	All structural elements are present and the conclusion effectively summarizes the essay.	4
E	Discussion of the two CEOs is particularly well discussed. There is appropriate reference to VW's shareholders and employees but this lacked depth needed for full marks.	3
Total		18/20

Overall Comment

The candidate has demonstrated good knowledge of the two concepts and the relevant business management content. A fitting definition was provided for each of these. Another strength of this essay is the knowledge the candidate has demonstrated of the Volkswagen scandal; good application throughout the essay is required for full marks under Criterion B.

A weakness is that the information provided is sometimes a little too descriptive and arguments were not always fully substantiated.

47. With reference to an organization of your choice, examine how ethics and change have impacted on employee-employer relations.

Walmart is an American multinational retail corporation that operates the USA's largest chain of supermarkets. The business operates over 11,500 stores in 28 countries around the world. In 2014, industrial action occurred due to Walmart cutting benefits for its part-time employees. (A) This decision was deemed to be unethical and resulted in bad **employee-employer relationships** at Walmart. This refers interactions, connections and affiliations of workers and their managers in the workplace. (K) Business **ethics** refers to the moral principles that guide a firm's behaviour. (K) Walmart's reported cases in the media about the mistreatment of employees damaged its brand image. (R)

Walmart had cut benefits (perks) for its part-time employees to help the business cut costs. This is an example of an internal **change** – something that alters or transforms the way business is conducted that is within the organization's control or is initiated by the business itself. (K) Whilst cost cutting might make the business more profitable, Walmart is neglecting the issue of being unethical which damages working relationships. (R) These issues, exposed in the press, included low wages, long working hours, poor working conditions and inadequate health care for its part-time staff. (A) However, what made this worse was that Walmart had already been criticised about its unethical treatment of workers over a decade ago, with damning reports about being sexist and exploiting workers in the 2005 documentary 'Walmart – the cost of low prices'. (A)

Unethical business behaviour created a negative employee-employer relationship at Walmart, which resulted in industrial action being taken across Walmart stores in the USA. (A) This resulted in a fall in labour productivity as employees were demotivated and so this affected the quality of their work. (R) Reducing the provision of healthcare insurance for its employees also demoralises the employees who feel less valued by their employer. (I) Nevertheless, the changes resulted in lower costs for Walmart – deemed to be essential in an ever-competitive industry, especially as it employs 2.3 million workers, most of which are part-time staff. (A) The lower costs are vital for Walmart's profits. (R)

The negative news in the press exposed Walmart for its unethical treatment towards workers and resulted in Walmart's policy being changed to better consider the needs of their employees. With this new change in its strategy, Walmart will potentially transform the attitudes of their employees, thus improving employee-employer relations. This would subsequently help the company to improve its corporate image. (R) Despite the experiences of the past, Walmart doesn't seem to have learnt from the strikes in 2014, as similar issues have happened in China in 2016 because of Walmart's proposed new flexible working hours schedules (essentially making workers 'on call' and being sent home during times the supermarkets were less busy than planned). Walmart eventually agreed to discuss the matter further, bringing the strikes to an end. (A)(R)

Through Walmart's unethical behaviour, the competitors could benefit as Walmart customers look for a new supermarket to shop at. (I) Through the change that damaged the employee-employer relationship due to Walmart's unethical practices, the government was concerned about the situation because Walmart is the USA's and world's largest private sector employer. (I)(A) Hence, the scale of the industrial disputes could mean the government may need to get involved. (I) Also, the negative exposure would harm Walmart's suppliers that rely heavily the company to buy their products. (I)

In conclusion, through change resulting in unethical practices at Walmart, the company's employee-employer relationship was damaged significantly. However, industrial action and negative press reports resulted in further change, with stories in the press that Walmart executives and managers are now treating their employees with more respect and awarding staff with competitive remuneration packages in the supermarket industry. This should, in the long term, increase labour productivity and motivation, benefiting customers who gain from higher customer satisfaction. (R) However, Walmart has gotten itself back into bad habits following further strike action of Walmart's workers in China in 2016. (S)

Feedback Sheet

Criterion	Feedback	Marks
A	Change and ethics are defined and relevant examples are provided. There is appropriate use of business management content related to the topic of employee-employer relationships (such as industrial action, productivity, corporate image and remuneration).	4
B	The application is generally very good, although a little descriptive sometimes. Illustrative examples are provided, but this could have been better developed in some areas, such as details of Walmart's benefits cuts for its part-time employees or the industrial action taken.	3
C	Relevant arguments are made. However, some of these are not fully justified, such as why Walmart "needed" to cut costs further, despite being the largest supermarket chain in the USA.	3
D	All structural elements are provided but the structure of the essay is not always clear. For example, the second paragraph is about change, but the candidate switches focus to ethics. The opposite occurred in the third paragraph.	3
E	Balanced consideration has been given to Walmart's employees. Other stakeholders are considered, such as the government and suppliers. However, for 4 marks the candidate must also consider an individual perspective too.	3
Total		16/20

Overall Comment

This essay included some good examples of employee-employer relations applicable to Walmart. There was an interesting discussion of further industrial action in China in 2016, which was also used well as part of the evaluation in the conclusion.

The structure of this essay was good. The candidate included an introduction, main body and conclusion. However, time should be taken to think about the content of the essay to ensure it is clear and easy to follow. To score full marks, the candidate must ensure all paragraphs are fit-for-purpose.

An individual stakeholder needs to be considered to achieve full marks for Criterion E. Having researched industrial action at Walmart, the candidate could have considered the CEO's perspective on the matter.

48. With reference to an organization of your choice, examine the impact of change and globalization on the packaging of its products.

Change refers how competition, new technologies and markets and trends in consumer behaviour lead businesses to adapt their objectives, strategies and operations. (K) An organization's success emerges from its ability to plan and respond to signals in both the internal and external business environment. **Globalization** refers to how international forces (such as the increasing social, cultural, technological and economic integration of economies) influence organizations. (K) In turn, organizations can shape these forces. Many businesses operate across national boundaries, for example. The concepts of change and globalization are interlinked to each other and together they could affect how a business such as Yeo Hiap Seng (YHS) packages its products. YHS is a multinational fast-moving consumer goods (FMCG) manufacturer, headquartered in Singapore. (A) It has operations in Europe, Asia Pacific and the USA.

The **packaging** of products refers to processes and materials involved in containing, handling, protecting, or transporting a good. Packaging of a product is important because it may include functions such as attracting customers' attention, assisting in promoting the product and/or brand, and communicating essential or additional information. (K) Packing is often used as part of a firm's branding strategy. Branding refers to the uniqueness of a specific product or service that consumers perceive through the name, logo, slogan, or design. (K)

Founded in 1900, YHS began as a small shop selling soya sauce in Zhangzhou, in China's Fujian province. Some decades later, Yeo Keng Lian, the founder, and his family moved the business to Singapore to establish the Yeo Hiap Seng Sauce Factory. (A) The family business continued to grow until it became a public listed company on the Stock Exchange of Singapore in the late sixties. (A) With more than a hundred years of history, YHS has successfully changed and established itself as a well-received household brand not only in Singapore but also in many countries around the world. (A) On its path to globalization, its knowledge and understanding of change (such as changes to trends and consumers' needs), YHS has developed a diversified range of food and beverage products. This includes noodles, canned food, carbonated soft drinks, fruit juices and culinary sauces. (A)

Globalization has allowed YHS to grow and become a leading brand. For its renowned soya bean drink, beans are imported from Canada to its Singapore and Malaysian plants. (A) Free Trade Agreements (FTAs) with Canada and China help to eliminate the impact on tariffs (taxes on imports). Being part of ASEAN, YHS also benefits from free trade agreements with Cambodia, Myanmar, Laos and Vietnam. (K) To enable YHS to appeal to a global audience, its packaging strategy has had to change, such as the use of English to target a worldwide audience (in places like Australia, NZ and Canada), but also the use of Chinese characters for its core markets in Singapore, Malaysia and China. (A)

In 2015, YHS changed its strategy to also target the youth market, so has introduced a range of new products, including Chrysanthemum Tea, Soy Bean Milk, Winter Melon Drink and Jasmine Green Tea.(A) This has necessitated changes to its packaging strategy (using a cleaner and sleeker look) to move away from being associated with an 'older' generation of customers for YHS's customers. Creating more upbeat packaging and designs can help to appeal to the youth market of customers.(R)(I)

However, repackaging and redesigns take time to reap any returns and can be expensive for YHS. The company's net profit had fallen in 2016 due to lower global earnings Hence higher costs due to packaging could have a big impact on the shareholders of YHS, as their return on investment would be lower.(I) The CEO, Melvin Tan, would receive less remuneration and shareholders would receive less dividend.(I) Besides, the Ministry of Environment and Water Resources requires YHS to submit annual reports with details of the company's packaging, including details of waste disposal.(I)

YHS also integrated a new Manufacturing Execution System to reduce cost and reduce wastes of its packaging. Thus, leaner packaging processes can help YHS to reduce its material and packaging costs.(R) An advantage of using less materials and producing less wastage is that is can gain the endorsement of environmental groups and customers who are concerned about the natural environment.(I)

In conclusion, change and globalization have impacted on YHS's packaging of its products. They have provided both opportunities (such as expanding to new overseas markets) and challenges (such as language translations on packaging and redesigns for the youth sector) to YHS. However, the opportunities presented by globalization have enabled the company to grow and satisfy its shareholders over time as YHS has adapted well to changes in the industries in which it operates.(I) YHS's continued innovation in the production of quality food and drinks, various stakeholders stand to benefit from it.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The concepts of change and globalization are defined, with relevant examples used to show a good level of understanding. Relevant business management content has also been used and explained sufficiently.	4
B	In most places, examples are used to illustrate changes and globalization in the context of YHS. However, some areas lack clear application, such as the “Manufacturing Execution System “, which was not explained.	3
C	Relevant arguments regarding globalization, change, and packaging are presented with justifications in most cases.	3
D	All structural elements are present. However, there are lapses in the use of fit-for-purpose paragraphs, making the flow of the essay difficult to follow in some parts.	3
E	Internal and external stakeholders are considered with examples. Group perspectives (local government, pressure groups, customers and shareholders) are discussed. However, there wasn't much of a discussion of individual perspectives (mentioning the CEO alone is insufficient).	3
Total		16/20

Overall Comment

Examiners are expecting clear and concise interpretations of the concepts and business management content stated in the essay question. Here the provision of definitions in the introduction helped the candidate to achieve full marks in Criterion A.

The examples used in the context of Yeo Hiap Seng showed clear connection of both concepts with relevant business management content. However, these were not always explained in full or made relevant to the question itself, hence full marks could not be awarded for Criteria B and C. In this essay, only positive arguments of globalization were presented. For full marks in Criterion C, a balanced argument must be presented.

With some more practice on exam technique, such as including the impact on and perspectives of an individual stakeholder, the candidate could have scored an even higher marks.

49. With reference to an organization you have studied, examine the impact of globalization and innovation on its organizational aims.

Yves Saint Laurent (YSL) is a luxury fashion brand established by Yves Saint Laurent and his partner Pierre Bergé in Paris, 1961. Today, YSL also sells a variety of luxury products, such as handbags, shoes, jewelry and beauty products. **Innovation** refers to the improvements in products or processes, which enable an organization to be competitive in the industry. **Globalization** refers to the growing integration of products, customs and ideas across national borders. **(K)** An **aim** is a long term organizational goal which a business wants to achieve. **(K)** Globalization and innovation have directly impacted on the aims of YSL who aim to “create and market highly desirable products through innovation and unparalleled quality and design”. **(A)** YSL’s aim focuses explicitly on innovation, in order to meet the demands of their international customer base.

Globalization has created many opportunities for YSL. For example, China’s membership of the World Trade Organization (WTO) has allowed many multinational companies to expand into China. YSL believes that China is their biggest market for the foreseeable future. The Chinese market fits with YSL’s aim to create “highly desirable products”, as a growing number of affluent Chinese customers continue to demand luxury products from overseas. **(K)(A)** This is evident in luxury shopping malls throughout cities like Shanghai, Beijing and Tianjin which are home to famous luxury brands like Gucci and Chanel, as well as YSL. **(A)** Due to the globalization of markets, YSL has set its aims on expanding in countries like China, where there has been a steady and sustained increase in the demand for luxury products. **(K)(R)** Due to YSL’s expansion across borders, it is able to gain from a larger customer base, which can lead to an increase in sales. **(R)**

Innovation also has a direct impact on YSL’s aims. To meet their customers’ needs, YSL have been designing and using limited edition special packaging, specifically to target the Chinese market during the Chinese Lunar New Year. By using innovative and appealing packaging, YSL aims to satisfy local requirements and preferences. **(R)** An advantage of using innovative packaging is it allows YSL to become unique, especially if other brands don’t use similar ideas to promote their brand in the same way. However, this is only a short term sales promotion, as others can easily imitate the use of special packaging during a festive season. Hence, it is only short lived, although it might be able to create brand awareness in China; one of YSL’s aims. **(R)**

One of YSL’s latest innovations is a new foundation called Le Cushion Encre de Peau. **(A)** Its foundation has quickly become a very popular cosmetics product in Asia, and can certainly help to increase YSL’s market share. **(K)(R)** On the other hand, because competitor brands (such as Chanel, Lancôme and Dior) have well-established brand loyalty in France, China many other parts of the world, YSL may find it more challenging to secure higher market share; another one of YSL’s corporate aims. **(R)(I)**

The impact on YSL's stakeholders are far-fetching. Firstly, customers will be very happy as they are able to buy YSL's highly desirable product in China. YSL's presence also creates more choice for customers.(I) However, globalization also brings its threats, such as the growing presence and number of competitors, such as Givenchy (French), Shiseido (Japanese) Estée Lauder (USA) and OriFlame (Swedish).(I)(A) Shareholders will be pleased, in the long term, with the aim to expand in China, because it would ultimately lead to higher share prices and dividend payments.(K)(R)

It can be concluded that the forces of globalization and innovation have heavily impacted the aims of YSL. As a multinational company with its products sold all over the world due to globalization, it is important that YSL knows how to integrate its products across national borders.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The candidate has demonstrated good knowledge of globalization and used some good examples to demonstrate understanding. Innovation is not clearly defined and the examples are vague in areas. There is good use of business management content throughout the essay.	3
B	Application is mostly good. The candidate has provided good examples of product strategies, linking these to YSL's aims. However, there are lapses, e.g. YSL's "innovative packaging" could have been explained in greater detail.	3
C	A balanced argument is provided and there is some good substantiation, but this is not sustained throughout the essay.	3
D	Fit for purpose paragraphs have been used and the essay is easy to follow. The conclusion successfully summarizes the essay and links back to the title question.	4
E	Two stakeholder groups were considered in a somewhat detailed and balanced way (competitors and customers), but there was no consideration of an individual stakeholder.	3
Total		16/20

Overall Comment

The candidate has provided a definition for the two concepts, although globalization is covered better (in breadth and depth). Relevant business management content is used throughout this essay. Hence, the candidate is awarded most of the marks for Criterion A. The candidate also provided some good examples in the essay, demonstrating good application skills.

However, there were some gaps, which prevented the candidate from scoring full marks in Criterion B. It is usually difficult to get full marks for Criterion C (reasoning) without getting full marks for Criterion B (application) because the arguments are not so well balanced or justified without effective application.

When selecting stakeholders to discuss, candidates need to ensure they take time to consider the best (most suitable) ones in relation to the essay title. To score full marks for Criterion E, the candidate must provide a range of perspectives, including those of an individual stakeholder of YSL.

50. With reference to a business you have studied, examine the impact of change and innovation on its organizational objectives.

Zara is a Spanish multinational company that has over 2,000 stores worldwide and belongs to the Inditex group (the world's largest clothing retailer). (A) Co-founder Amancio Ortega opened the first Zara store in 1975 in Galicia, Spain. Today, Zara operates in the fashion sector and it is well known for being innovative by providing medium-quality products at low prices. In this case, **innovation** refers to the continual adaptation of Zara's clothing products to meet needs of its customer. (K)(A) **Change** refers to factors that cause a business to modify its operations and products due to internal or external factors, such as expansion in overseas markets or changes in consumer fashion and trends. (K) Zara's innovative ideas and changes in the industry impact directly on its objectives. **Objectives** are the targets put in place to meet a firm's aims. They tend to be specific and measurable goals. (K)(S)

In 2014, Zara started offering a Korean clothes line, using an e-commerce platform. This increased brand awareness in Korea as customers there were able to easily purchase the kind of clothing products that appealed to their taste. The clothing product line is made available directly through Zara's online shopping platform, or customers can pre-order or reserve the items and get to the nearest store to purchase and collect them. (A) This innovative change impacted Zara's marketing objective to meet the needs of a new market segment, especially as online shopping is highly popular amongst Koreans. (K)

For customers, the online platform provides an additional channel of distribution, allowing an easy ordering process and a cost-effective way for them to purchase Zara clothing. (R) However, Zara's customers may prefer to collect the purchased items in store, in order to avoid shipping (postage) costs and a delay in getting the items. (R) Nevertheless, innovation is a requirement for Zara in order for it to remain competitive. The industry is filled with large competitors such as Mango, Gap and H&M. (I) In fact, Mango has more stores and operates in more countries than Zara. (A) Due to the nature of the industry, it is quite easy for competitors to copy the innovation designs and output of Zara's clothes. Also, customers prefer Zara to keep up to date with changes in the fashion industry. As Zara is able to do so, this helps to improve brand loyalty as customers will be more willing to make repeat purchases. Thus, Zara's objectives are directly affected by the degree of innovation in the industry. (R)

Zara relies on a Just In Time (JIT) stock control management system to ensure it can operate efficiently. (K) This is particularly important in the fashion industry where things change very quickly. Stockpiling clothes could be disastrous as excess stocks of unfashionable (last season's stock) would damage the company's cash flow and liquidity position. (R) This means Zara needs to have a very close and good relationship with its suppliers so they can trust deliveries can be made promptly. (I) However, if managed properly, JIT would reduce the cost of storage and in the long term it benefits Zara through decreased cost. (R) This will please managers, directors and shareholders of the company who gain from the higher profits of the company. (I)

However, the inevitable changes in the clothing industry can have negative impacts on Zara's employees. Changing designs of clothing products every two weeks or so at Zara can put pressure on employees to innovate and adapt continually.(I) They may only just become familiar with a new product line before more changes are introduced.(R) This could be frustrating and demotivating, so Zara's objectives and strategies to motivate its employees may need to be reviewed regularly.(I)(R)

Overall, innovative changes at Zara through its continual introduction of new products directly impacts on its organizational objectives. This has, for example, resulted in a clear objective to operate an online shopping service in Korea, which has been very successful to date. Given the nature of the industry and Zara's market leadership, it will need to rely on its innovations to remain competitive against other multinational clothing retailers.(S)

Feedback Sheet

Criterion	Feedback	Marks
A	The candidate has demonstrated a good understanding of both concepts, with fitting use of examples. However, innovation is used interchangeably with change in several places, without any clear distinctions being made. Relevant business management content has been used throughout the essay.	3
B	Most of the examples are illustrative and well applied, suggesting the candidate has researched Zara very thoroughly. However, this is not sustained throughout, e.g. the points about JIT and the two-week cycle of changing product lines could have been developed.	3
C	Arguments are balanced and relevant. There is justification of most arguments, but these have not been substantiated fully in some areas, such as Zara's assumed ability to "keep up to date with changes".	3
D	All structural elements are present and ideas are, on the whole, clearly organized. The conclusion summarizes the findings succinctly.	4
E	A balanced consideration is given to several different group stakeholder perspectives (such as customers, competitors and employees), but an individual stakeholder has not been considered.	3
Total		16/20

Overall Comment

The structure of this essay is effective. A purposeful introduction has been included, which contains definitions of both concepts and relevant business management content. There is a main body, with fit-for-purpose paragraphs covering both concepts.

There were some sweeping statements used, which adds little if any substance to the written work. For example, the candidate mentioned that JIT would reduce the cost of storage and reduce costs. Whilst this is theoretically true, it was not substantiated nor was the meaning of managing JIT effectively explored. (S)

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Other recommended resources for Business Management

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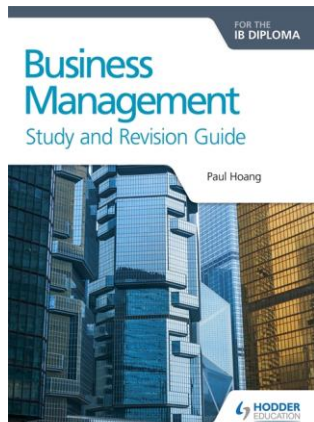
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